

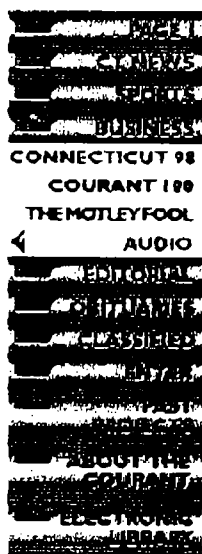
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The Hartford Courant.

BUSINESSSunday
August 16© 1998
The Hartford Courant**Colt's Replacing Its Chief Executive**

By BARBARA A. NAGY

This story ran in the Courant August 15, 1998

Colt's Manufacturing Co. Inc. surprised the firearms industry Friday by announcing that Ronald L. Stewart, the man who returned the West Hartford gunmaker to profitability, will step down Sept. 17 after two years as chief executive.

Stewart will be succeeded by Steven M. Sliwa, a business executive and engineer who says that one of his top priorities will be to bring to market new Colt's products and technologies - including a "smart gun" that can only be fired by its owner.

"He'll take Colt's to the next level," said Donald E. Zilkha, head of the New York investment partnership that bought Colt's out of bankruptcy in 1994. "We thought he would be ideal for this job."

Sliwa enters the firearms industry at a difficult time. U.S. gunmakers face increased competition from low-cost overseas manufacturers, as well as increased political pressure at home for gun control.

George Rockwell, an industry analyst who lives in Fairfield County, said Colt's faces a special problem: Much of its production is handguns - the weapons that are often the focus of gun control measures.

Zilkha said revenues have fallen 30 percent since his company bought Colt's, but

he also said the business is profitable.

The firearms industry has slowly been consolidating because of the financial pressure, and Stewart worked to make Colt's a player in the consolidation, said Virginia Ezell, president of the Washington-based Institute for Research on Small Arms. The company failed in a bid to buy Belgian rival FN Herstal, but recently announced that it is acquiring a gunmaker in Saco, Maine.

Sliwa currently is president of Embry-Riddle Aeronautical University in Daytona Beach, Fla., a 20,000-student school that is internationally known

in the aerospace industry.

Before taking that job seven years ago, Sliwa was a vice president at Integrated Systems Inc., a software company in Mountain View, Calif. From 1978 to 1989 he was a research manager at NASA-Langley Research Center in Hampton, Va.

Zilkha and Sliwa met through their involvement in West Coast software ventures.

At Embry-Riddle, Sliwa gained a reputation as an enthusiastic, creative, visionary leader, according to a recent profile in the Daytona Beach News-Journal. When he became president at 36, he was the youngest head of a U.S. university.

Sliwa led Embry-Riddle through a \$100 million expansion that converted it from a commuter campus to a residential college. He also established dozens of partnerships with airlines and businesses.

Sliwa - like the two previous Colt's chief executives Zilkha hired - has no experience in the gun industry. That isn't critical, said Zilkha, who also had no experience before buying Colt's.

"If you're a good manager, you can probably manage this," he said.

Sliwa has started researching the industry, and knows all about its troubles.

"I thought the challenges were pretty big, both in the industry and for the company," he said. Sliwa is fascinated by technology, and thinks it can help solve gun-safety problems and also improve Colt's firearms.

He told university students and staff in a memo Friday that Colt's has the lead in new technology that could make guns significantly safer. Colt's demonstrated a prototype of the so-called "smart gun" in September 1996, and has continued to work on it under Stewart's leadership. Sliwa said a second-generation prototype is about to go to testing.

Sliwa said in Friday's memo that some of his colleagues probably would be surprised by his decision to work for a gun manufacturer. He said he was drawn by the challenges.

"I have confidence that the company will be socially responsible under my leadership, and if we are successful, will make a significant difference in one of our nation's most troublesome problems," Sliwa wrote.

Stewart was traveling Friday, and could not be reached for comment. Zilkha said

Stewart is leaving because he accomplished what he set out to do. He

turned the 700- employee company around, and made it profitable.

"Now somebody has to take it to the next phase," Zilkha said. He said Stewart's work on improving manufacturing, production, design and team building will make those next steps possible.

Union leaders at Colt's could not be reached for comment.



[Email](#) The Editor

SEARCHCOURANT



FIREARMS BUSINESS™

Vol. 7, No. 16 *For the Informed Firearms Marketer* September 15, 1998

Inside This Issue: Ron Stewart, the most controversial CEO seen in this industry for years, is leaving Colt's Manufacturing this week. (Page 1) Former Remington marketing executive Bud Fini won an age discrimination lawsuit against his old company. (Page 3) Walther's expected purchase of Interarms may not go through after talks end with no agreement. (Page 4) Some manufacturers are looking into minimum selling prices to prop up wholesale handgun markets, moves that distributors believe are necessary. (Page 5) Ruger is giving an 11 percent discount on September invoices, a deal that should help the firm's fall sales. (Page 5) Chain retailers are going to have trouble gaining access to the new NICS system this fall. (Page 7) The industry has been working with Philadelphia's mayor but draws the line at supporting his push for one-gun-a-month legislation. (Page 8)

STEWART RESIGNS AS COLT'S MANUFACTURING PRESIDENT: Ron Stewart, easily the most controversial firearms executive to come along in recent years, is leaving Colt's Manufacturing Company, Inc. later this week.

Stewart, who served about two years as Colt's president and chief executive officer, says his departure is in accordance with plans made when he joined the company in 1996. He will be succeeded by Steven M. Sliwa, former president of Embry-Riddle University in Daytona Beach, Florida.

Sliwa, who was president of the university for seven years, has a background in systems technology. Before joining Embry-Riddle, he was vice president product development for Integrated Systems, Inc. of Mountain View, California, an embedded software company. He also has been a research manager for NASA and founded an educational software firm that made products for the blind and for College Board exam preparation. He holds bachelor's, masters and doctorate degrees in engineering from Princeton University, George Washington University and Stanford. He also holds a masters in management from Stanford.

Colt's chairman Donald Zilkha praised Stewart's performance, saying his "performance in improving our manufacturing, production and design process has been exemplary and, through his team building initiatives, Colt is well-positioned for the future.

"Sliwa's succession represents the next logical step for the company as Colt increases its emphasis on technology in product development and begins to take a systems approach to its product line," Zilkha said. "It is a critical time for the company's future and we are confident that he can the leadership needed to grow and sustain a world-class enterprise. We are proud to have him on the Colt team."

Under Stewart's leadership, Colt's secured a number of government contracts for its military division (the most recent an \$18 million upgrade for the M16A1 rifle) and arranged the pending acquisition of **Saco Defense Systems**. Those are moves that should easily keep the firm going into the next century. But Stewart will likely be remembered more for controversial statements about the regulatory and legislative issues facing the industry than for his management expertise.

In the last several months of his administration, Stewart was at odds with many in the industry for published views that seemed to advocate more controls, though he claimed to be misquoted and misunderstood. He didn't help his image by resigning from the **American Shooting Sports Council** board earlier this year. Stewart and Colt's also took on the **Coalition of New Jersey Sportsmen**, a grass-roots organization that called for a boycott of the manufacturer's products before backing down after its claims that Colt's lobbied for a bill mandating its smart gun in the state were proven incorrect.

"Ron's views of our industry and the issues confronting it differ considerably from those held by most of us," **ASSC president Georgia Nichols** said at the time. "The direction that Colt is taking is of great concern to many, both within the industry and from the firearms owning community in general. I hate to see Colt isolate itself in such a manner. I do not believe it is beneficial to the company, nor the entire industry."

The Colt's executive first stirred controversy when, in a guest column for **American Firearms Industry** magazine, he described the trade's response to the anti-gun lobby as "ill-postured, defensive and pathetically inadequate" and offered a five-point plan to get the industry's message to the public.

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Among Stewart's ideas was the "creation of a research and development program to further firearms technology toward more advanced methods that promote safety (such as personalized firearms). While this should not be mandated it should be an option for the consumer. If we can send a motorized computer to Mars, then certainly we can advance our technology to be more childproof." He further called for a joint industry committee to study firearms technology and safety mechanisms.

Stewart also called for the creation of a federal gun permit to pre-empt "the hodgepodge of existing state laws and local ordinances" and urged giving serious consideration to a gun permit that "would require each holder to undergo thorough firearms training and pass a uniform examination. The law should also require that dealers qualify as certified firearms instructors and actively participate in training the public concerning the safe and appropriate handling of guns."

Market observers took Stewart's departure in stride but questioned the logic behind Colt's putting "another person with absolutely no firearms experience" at the helm. Most adopted a wait-and-see attitude toward the new executive.

Colt's sales have been up and down in recent months, due at least in part to the controversy that has surrounded the firm.

Wholesalers say the old-line company needs consistency in its programs and diversity in its product lines. A lack of both has led to less than stellar results from Colt's much-touted points system that was to award distributor sales staffs for their efforts, market sources said.

FINI WINS DISCRIMINATION SUIT AGAINST REMINGTON: Ernest O. "Bud" Fini, a marketing executive fired two years by Remington Arms Company, was awarded almost \$724,000 in a federal age discrimination lawsuit against the gun maker.

The \$723,368 award, according to Fini attorney Thomas S. Neuberger, was the largest ever awarded in Delaware for a case of its type. In addition, approximately \$400,000 of Fini's legal fees were ordered paid.

Testimony in the case showed that Fini, 55, was Remington's marketing director for 10 years when it was a subsidiary of the DuPont Corporation. The company, sold to Clayton, Dubilier & Rice in 1993, moved Remington's headquarters to North Carolina but left Fini behind. Fini sued Remington shortly thereafter.

Remington's new executive team fired Fini because of his age, Neuberger said, and replaced him with two employees aged 31 and 26. Witnesses testified that they overheard the executives say they wanted to get rid of older employees.

Attorneys for Remington argued that Fini was not up to the job but the former executive rebutted those claims by showing excellent job reviews and bonuses he received while working for DuPont.

"I feel vindicated for what they did to me," said Fini, who has been working with O.F. Mossberg & Sons and is expected to take a marketing position with the firm.

WALTHER, INTERARMS NEGOTIATIONS STALLED: German handgun manufacturer Carl Walther GmbH Sportwaffen has, after months of negotiations, apparently failed to reach an agreement to buy Interarms, Inc.

Talks between Walther and Interarms have been ongoing for several months, basically since Interarms lost its largest and most profitable line—Rossi revolvers and rifles—to Braz-Tech International LLP, a joint operation between Amadeo Rossi and Taurus International. Walther and Howa are the two remaining Interarms lines, although the importer still has substantial inventories of the Rossi products on hand.

Sources familiar with both companies confirmed that talks between the two firms have thus far been unsuccessful but were reluctant to say the deal has fallen through completely. One said the transaction has "suffered a major setback, but not necessarily the final setback. It's frustrating." The sources did not say why negotiations on the deal, worth an estimated \$13-14 million, stalled.

Interarms has represented Walther in the United States since the mid-1960's under a licensing arrangement that continues until 2014. If the deal were to go through, Walther could regain the U.S. rights to its name and trademarks while building market share under its own name.

The Walther PPK is manufactured for Interarms by Emco, Inc. of Gadsden, Alabama. Walther's 9mm pistol is imported but with a retail price that tops \$900, the gun has not carved out the market niche in this country that Walther would like. Market sources say that price could probably be reduced if the gun were made in the U.S.

Market reaction to the latest development was generally subdued. Some distributors, figuring that Interarms may be under pressure to sell, renewed efforts to buy Interarms' Rossi inventory at bargain prices but the company insists, as it has all along, that no fire sales are forthcoming.

GUNS PARTS CORP. PUTS AUTO-ORDNANCE ON MARKET: Auto-Ordnance Corporation, maker of the Thompson sub-machine gun and a line of 1911-style pistols, has been put up for sale by parent company Gun Parts Corporation.

Marketing director Bob Kravis said Gun Parts wants to sell Auto-Ordnance in order to "concentrate corporate resources on our core mail order business and other ventures in development." He added that there is "continued demand" for Auto-Ordnance's products.

The West Hurley, New York manufacturer will maintain all operations while it seeks a buyer, Kravis said.

BLOUNT DECLARES QUARTERLY DIVIDENDS: Blount International, Inc. will pay regular quarterly dividends of 7.125 cents per share on its Class A common stock and 6.71 cents a share on its Class B stock.

Both dividends are payable October 1, 1998 to shareholders of record at the close of business September 14, 1998. The Class A dividend reflects a premium those shares are guaranteed over the Class B stock dividend.

HANDGUN FIRMS EYE MINIMUM SELLING PRICES: Some handgun manufacturers are considering establishing minimum selling prices for distributors in efforts to prop up the wholesale value of their products.

Market sources said no company has put its plans in writing, but several distributors have been told to expect it on several fronts. **Glock, Inc.** has been identified as the most avid proponent of the plan, while **Sigarms USA, Beretta** and **Colt's** have also reportedly discussed the idea with wholesalers.

Glock needs to do something to shore up its pricing, distributors said. Several say they have all but quit stocking the firm's pistols because for the last several months, the guns have been selling for barely more than wholesale cost. Some distributors have been selling Glock pistols at or near cost, even though supplies have been tight.

"We would love to see Glock impose a minimum price and it sounds like it is happening," said one wholesaler, who noted that his firm's Glock purchases have plummeted in 1998. "We just absolutely refuse to pay \$387 for a Glock and resell it for \$389, but that's what has happened to the market."

Glock recently asked its wholesalers to quit listing prices in their flyers and other advertising, but most distributors said that minor policy change has been unsuccessful because the guns are now associated with bargain basement pricing.

"Price-On-Request doesn't mean anything, so we don't even bother listing them (Glock). If we feel the company is really serious about preventing price erosion, then our inventories will go up and their space in our flyer will increase," he said.

Some distributors dismiss any talk about minimum prices, pointing out that such things are generally considered illegal. Others believe the handgun manufacturers can and will follow the lead set by such automakers as Saturn.

"If you violate the policy, they can't do much about it but they can decline to sell you any product the next time around," one said.

This discussion is not new. Browning tried a similar move on much of its product line about five years ago. Mossberg set minimums on certain of its products at about the same time. Neither of the policies lasted, however, longer than a few months.

RUGER OFFERS ADDITIONAL SEPTEMBER DISCOUNTS: Sturm, Ruger & Company, looking for a way to improve long gun sales and help its third quarter numbers, is offering distributors additional discounts through the end of September.

Ruger's program gives wholesalers an 11 percent anticipation rate for all long gun purchases made in September, an 8-point improvement over its normal 30 day terms. That is the same discount Ruger normally offers distributors at the beginning of its sales year in December.

Distributors welcomed the promotion, noting that in most years they usually keep Ruger inventories at fairly low levels during the fall because of the price differential.

"We always drove our Ruger inventories down in the fall because if we didn't, we were in at the wrong price for two months of the season," said one distributor. "We always found ourselves with higher prices and lower stocks in the peak selling season because we could wait until December and get the preferred terms. This ought to really help long gun sales."

Most observers figured Ruger had to do something to boost sales. The manufacturer's mid-year price increase helped boost second quarter volumes, but at least some of that came at the expense of third quarter business as distributors bought well in advance. The improved discount will move some fourth quarter business into the third.

Going into the lucrative fall season, it appears that long gun sales are on a track to be strong if not earth-shattering. Few companies are having record years, but most are well-positioned for the rest of the year.

Market sources said supplies of certain Remington Arms products are tight, a result of the company's production cuts on some lines to make a major push on a new 3-1/2 inch Model 870 shotgun. That factor, combined with normal fall demand, should keep the market strong for the Remington guns.

Browning Arms and U.S. Repeating Arms Company are quietly putting together solid years as well, although none of their products are said to be in short supply.

NON-TOXIC SHOT REQUIREMENT AFFECTS MORE AREAS: As expected, the U.S. Fish and Wildlife Service has approved requirements that all migratory bird and upland game hunterse use and possess only approved non-toxic shot while hunting on federal Waterfowl Production Areas (WPAs). The rule is effective immediately.

While the use of non-toxic shot has been a requirement for waterfowl hunting on WPAs since 1992, the new restrictions apply to all hunters on WPAs except those hunting turkey and deer. Nationally, over 650,000 acres of land within WPAs are open to public hunting, fishing and trapping.

The new non-toxic shot requirement will reduce the lead poisoning risk to wildlife on these tracts of important wildlife habitat. Upland areas associated with wetlands provide critical nesting cover for both waterfowl and upland birds like ring-necked pheasants, marsh hawks (Northern Harrier), and meadowlarks.

Non-toxic shot currently approved for use includes shot made of steel or bismuth. Tungsten-iron and tungsten-polymer shot, presently under review, are also likely to be approved for the 1998/1999 hunting season. Tungsten-matrix and tin shot, although commercially available, have not been approved.

CABELA'S OPENS NEW RETAIL CENTER: Catalog direct marketer Cabela's Inc. is opening a 50,000 square-foot retail facility in **Prairie du Chien, Wisconsin** early next month, with an eye to supplementing sales out of its distribution center in the area.

The store will feature natural atrium lighting and an open-air decor that brings the outdoor experience to the indoors. It will also showcase a 28-foot mountain replica

complete with running waterfalls and trophy-class, big-game animals situated in recreations of their natural habitat. Other museum-quality displays include an 8,000- gallon aquarium stocked with fish native to the area.

The new store will offer many of the field-tested products and merchandise that Cabela's features in its catalogs and will include a special catalog order area where shoppers can place orders.

"The customer's order will be immediately processed and, if warehoused there, the products will be in their hands within minutes," said retail director Tim Holland.

NICS SYSTEM WON'T BE UP BY DEADLINE; PROBLEMS EXPECTED: The National Instant Criminal Background Check System (NICS) will apparently be anything but instant as the government will not have its computerized hook-ups ready in time for the November 30 effective date.

The Federal Bureau of Investigation, charged with implementing the system, says electronic access to the system will not be ready in time for the deadline. FBI officials say they are working to get the system on-line "maybe" by early 1999. Until the system comes on line, dealers must contact NICS by telephone or fax.

The FBI plans to transfer more than 500 people from its fingerprint division to help contract operators process an estimated 4.3 million inquiries from 64,000 FFL holders. Most industry observers think those figures are much too low, noting that the number of inquiries is only 37 percent of U.S. sales.

NICS operations director Jim Kessler said about 80 percent of the requested checks will result in an immediate approval. At least 90 percent of delayed responses, he added, could be cleared up in as few as three hours or as many as three days.

However, there is no system in place for the FBI to call back with an approval, leaving the stores to figure things out for themselves. Some indicate that they will install dedicated fax lines for the system while others, objecting to the costs of installing as many as 2,300 phone lines, say they will call the system back.

Dealers will be charged \$14 for the background check, despite ongoing efforts by the National Rifle Association to get the fee overturned in Congress. The FBI said it is authorized to assess the charge under the Commerce, Justice and State, Judiciary and Related Agencies Appropriations Act of 1991. Retailers may choose from two payment plans, a direct credit card billing option or a monthly invoice from the FBI.

Bureau of Alcohol, Tobacco and Firearms officials have told various NICS seminars that repair guns returned to their owners will not be subjected to the background checks or Form 4473 requirements but have not yet put anything in writing. The agency is expected to issue a written ruling on the question after NICS becomes official. Final regulations should be published in October.

The NICS check is valid for 30 days, but ATF has been studying ways to accommodate layaways that may take as long as 60 days.

INDUSTRY REJECTS FIREARMS PURCHASE LIMITS: The firearms industry has been working with Philadelphia Mayor Ed Rendell to find solutions to gun crime in his city and others around the country but draws the line at "one-gun-a-month" legislation.

American Shooting Sports Council president Georgia Nichols, responding to a bill introduced by U.S. Senator Frank Lautenberg of New Jersey, said the government should concentrate on enforcing current laws against "straw man" purchases rather than limiting the number of guns that can be purchased.

"After careful examination and due consideration, we are convinced that this proposed legislation is not the answer," Nichols said. "It merely diverts those with criminal intent into alternative avenues for obtaining their guns, or they switch to more lethal weapons not covered by the law.

"It does not cut down on the number of guns criminals obtain; it only changes the methodology by which they obtain them. In Maryland, for example, after such legislation was adopted, police saw an increase in long gun use by criminals and gun shop thefts increased dramatically," she added.

Nichols suggested that the government's efforts be directed to "enhanced law enforcement and prosecution against those who flaunt the law, as is being done in Richmond, Virginia's Project Exile."

ASSC executive director Richard Feldman earlier wrote Rendell declining his invitation to support the single gun purchase legislation, as did several ASSC members.

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June 21, 1998

An Open Letter to the Mayors of America

The national debate over firearms and violence in our society has ebbed and flowed for the past 30 years. It has not been particularly productive in solving the problems associated with the criminal acquisition and misuse of guns. Rather, it has been used to define constituencies, raise money for causes, and has generally led to a vicious divisiveness in our domestic politics.

This need not be so. Last October, President Clinton asked the handgun industry to voluntarily provide child safety locks with our products. Within ten days, we were standing together with the President in the Rose Garden to make the historic announcement that we would adopt such a policy. To date, 26 major companies, representing 95 percent of the market, are participating in this effort.

We did it because of our industry's sincere and appropriate concerns over the negligent use of our products. We did it because it makes good sense. It didn't require Congress to pass another law, or adopt more federal regulations and legal restrictions on our lives.

There are other issues involving our products that we believe can similarly be addressed where we can maximize our mutual resources to focus on the criminal access and misuse of firearms without interfering with the rights of your honest constituents to own guns for legitimate purposes. In our initial meeting in Philadelphia we presented several, hopefully, useful suggestions.

This opportunity before us now, to explore our mutual problems and immediate concerns, and to devise constructive solutions must not be missed. To be sure, there are issues which may divide us, but for once let us not allow those points on which we disagree to prevent us from achieving the critical and overriding goals on which we emphatically agree.

We cannot tolerate violent, predatory criminals obtaining and using firearms. We cannot tolerate juveniles illegally or negligently obtaining and misusing firearms. It is our earnest desire to work with you toward realistic, practical solutions to these issues, and to develop a comprehensive action plan with law enforcement, government leaders and private industry for the reduction of firearm violence in our nation.

Sincerely,

A handwritten signature in cursive script that reads 'Richard J. Feldman'.

Richard J. Feldman
Executive Director

REPRESENTING THE FIREARM INDUSTRY



The Atlanta Journal

Covers Dixie Like the Dew

Opinion

Move to make guns safer shows how things get done

TALK ABOUT GUNS, in this country in these times, and you quickly find yourself in a discussion with the fervency and absolutism of a debate over religion. Opponents speak of weapons as if they were satanic instruments, innately evil; gun fanciers wave copies of the Second Amendment as if it were a chapter from the Bible.

Emotional exchanges like that rarely lead to resolution, and in the political world they almost never lead to legislation. Considering some of the extreme proposals that have been floated by the more hysterical of gun-haters, that may be a good thing. But there are real problems created by the presence of guns, and real solutions are needed.

That's why we welcome the announcement by President Clinton and major gun manufacturers that from now on most handguns will be sold with safety locks that should help prevent some of the hundreds of accidental shootings of children every year. The way the agreement came about ought to be a model for resolving lots of public policy issues that face American society.

Clinton had called for a law mandating the inclusion of locks with all handguns. In the end, however, all that was needed was a legitimate exercise of presidential authority and some reasonable discussion with gun makers, who turned out not to be the uncaring fiends opponents paint them to be.

First Clinton mandated that locks be included for all handguns carried by law enforcement personnel. Then he sent an emissary to talk with firearms company officials, and encouraged them to adopt the practice voluntarily for all sales. They agreed. And why not? Protecting children is a goal everyone shares, and including safety locks doesn't interfere with anyone's right to bear arms.

It's a good outcome — and it could be a good example to pursue in other arenas as well. It's easy to say "there ought to be a law," but if people of good will simply decide to do what's right, maybe we don't always need more legal restrictions on our lives.

■ Editorials represent the position of The Atlanta Journal and are written by its editorial board, whose members are Jim Wooten, Jeff Dickerson, Martha Ezzard, Susan Laccetti Meyers and Richard Matthews.

Gun advocate straddles middle ground of issues

Aiming to please: Attorney offends friends and foes alike when he's willing to 'give an apple for the orchard'.

By Kathy Scruggs
STAFF WRITER



Richard Feldman is director of the American Shooting Sports Council.

Tucked away in a quiet, nondescript Cobb County building is a small office of people working inconspicuously.

While they may go unnoticed in metro Atlanta, the American Shooting Sports Council has drawn a good deal of attention on national and international stages.

Richard J. Feldman, the energetic ASSC director who also is an attorney, has taken on the Massachusetts attorney general and the United Nations on behalf of gun manufacturers and at the same time managed to offend hardline National Rifle Association members because of his group's willingness to compromise on gun issues.

Feldman, 45, who lives in Cobb County, believes Americans are "somewhat centrist folks" and that's how he likes to conduct business.

"It's like when you do a TV show," Feldman said. "You want somebody from both extremes. It's entertainment. [But] we see it as our mission to articulate this issue in a manner most Americans can probably understand. When you can speak to that center ... you always win. ... We're business people looking to find solutions."

'Compromise' under fire

For example, the ASSC, founded in 1989, recently supported President Clinton's initiative to get child safety locking devices into homes. One of the group's missions was to begin an ongoing dialogue between the firearms industry and the U.S. Bureau of Alcohol, Tobacco and

Firearms about how the industry and government can work together on regulations and oversight as well as issues such as streamlining the tracing of crime guns.

The ASSC actually supported protections beyond trigger locks, he said. "It included cable locks, chamber locks and lock boxes."

Feldman, a former lobbyist for the NRA — a powerful lobby representing about 2.8 million gun owners — was recently pictured on the front page of The New York Times sitting next to President Clinton and has been assailed as a traitor by some hardliners. He admits he sometimes has to put aside his own convictions about the Second Amendment, but believes gun ownership should be an individual choice.

"We're told in the NRA that compromise is a very dirty word," he said. "But I'll always be willing to give an apple for the orchard."

But a proposal before the United Nations presents an entirely different threat, Feldman said, not only to the Second Amendment but to U.S. manufacturers who make the majority of civilian firearms, Feldman said.

In a recent United Nations meeting in Brazil, international delegates discussed imposing a moratorium on selling firearms, banning making and selling ammunition; imposing worldwide licensing requirements on gun ownership; and allowing people to buy only one gun a month, Feldman said.

So, seeing a threat not only to the U.S. constitutional protection

of gun ownership, but to the livelihood of his members, Feldman went to Brazil to argue against the proposal.

"I haven't committed any more crimes because I own over 100 guns than I'm capable of committing if I own one gun," he reasoned.

Feldman told the group the firearms industry would "embrace, support and contribute to legitimate efforts at disrupting the illegal trafficking and criminal misuse of firearms."

"To the extent that the U.N. promotes an agenda of worldwide civilian disarmament, we vigorously object to, and will strenuously oppose such efforts," he added.

The U.N. is at least two years away from any resolution on the issue, a spokesman said.

A matter of standards

Then, two weeks ago Feldman sued Massachusetts Attorney General Scott Harshbarger, who issued strict new handgun regulations that include requirements that all guns sold in the state carry warning labels and hidden serial numbers.

"I can see how you could put it in both places, but we can't manufacture guns in 50 flavors for 50 states," Feldman said. "Sixty-five percent of the crime guns in Massachusetts come from out of state. It would eventually be of value to only 35 percent of crime guns."

Because Harshbarger is a former president of the National Association of Attorneys General, Feldman's clients are concerned his lead could influence other state attorneys general to set their sites on firearms manufacturers.

That is highly unlikely in Georgia, though, because the attorney general does not have authority to create regulations, said Daryl Robinson, Georgia's deputy counsel to the attorney general. "That kind of regulation requires some action by the General Assembly."

The Philadelphia Inquirer

City & Region

Section B

News in Brief B2

Tuesday, June 9, 1998

Philadelphia Online: <http://www.phillynews.com>

The mayor and gun executives talk about violence

Ed Rendell called the meeting "a test of wills." They agreed on the goal but differed on the methods.

By Craig R. McCoy
INQUIRER STAFF WRITER

The gap remains big, but Mayor Rendell and key executives of the gun industry sat down yesterday and began talking about ways to reduce a byproduct of the gun business: violence.

"It was a little bit of a test of wills," the mayor said yesterday after the three-hour, closed-door meeting, the first since Rendell and the firearms business agreed to get together.

"They focused on helping gun-law enforcement, going after gun violators and gun traffickers," Rendell said. "Not that we're opposed to that, obviously. We focused on gun availability and access. The question is, can the twain meet? I think, in some areas, there's hope."

Substantively, little was accomplished beyond the endorsement of a bland one-sentence goal: "to develop a comprehensive action plan with law enforcement, government leaders and private industry for the reduction of firearms violence in our nation."

But both sides seemed buoyed that they were talking, at least. Said Mayor Scott King of Gary, Ind.: "It was very good. A good first dialogue."

The group agreed to meet again later this month at the National Conference of Mayors gathering in Reno, Nev.

Rendell got the industry's atten-

tion by offering a carrot and a stick. First, the stick: a threat to sue gun-makers, alleging their product has created a public nuisance costing taxpayers millions for police and prisons. The carrot — extended in March in a Washington, D.C., speech to an industry trade group — was an offer to put aside any lawsuit if Rendell and the industry could reach common ground on reducing

See MEETING on B6

Rendell meets with members of gun industry

MEETING from B1

gun violence.

Next, Rendell — whose city had 409 murder victims last year, 82 percent killed by gun — rounded up a group of mayors and county officials to join him in discussions with the gun industry.

With Rendell yesterday at the Park Hyatt at the Bellevue were King, whose city had 194 murder victims last year; St. Louis Mayor Clarence Harmon (153 murder victims); and county officials from Maryland, Washington and Ohio.

The industry representatives at the meeting were in town for the National Rifle Association's annual meeting. They included executives from Smith & Wesson, the nation's biggest gun manufacturer; Glock Inc., another big handgun company; Mossberg, the nation's leading shotgun maker; and a maker of telescopic gun sights.

"Each side senses a real, honest sincere effort towards addressing a

problem that we all feel is abhorrent," said participant Sandy Chisholm, president of North American Arms, a Montgomery County firm that sells the \$425 Guardian, a small handgun marketed for self-protection. "Gun violence is awful, and I think we'd all like to eliminate it."

The mayor got the industry's attention by threatening to sue if the two sides cannot find common ground.

The industry panel was put together by Richard Feldman, executive director of the American Shooting Sports Council, a 10-year-old trade group for gunmakers and wholesalers.

"It went extremely well," Feldman said. "The mayors were surprised in a way at who we are. We have a business orientation — and we're interested in solving problems."

In his March speech to Feldman's group, Rendell had urged the industry to back legislation to limit gun buyers to one handgun a month. He also recommended that the industry stop selling the cheaper, small semiautomatics that some experts contend turn up disproportionately

in seizures of guns from criminals. Among other steps, he also urged the industry to curtail advertisements that say a gun in the home promotes safety. Rendell says such guns increase risks faced by gun owners and their families, although academic experts disagree about that.

Feldman remains opposed to one-gun-a-month limits. Chisholm said the trade was concerned that such a restriction might one day lead to even more sweeping restrictions.

"These things tend to ratchet up-

wards," he said. "The noose, if you will, tends to get tighter."

One major manufacturer that was not represented was Colt, which recently quit the board of Feldman's organization on the ground that the trade group had too many members who were importers of guns from abroad.

In a telephone interview, Beth Lavach, a Colt vice president, said the firm might join the Rendell group at future meetings.

Gun Makers Learn From Tobacco Fight

Facing Litigation, Industry Says It Will Respond to Safety Issues

By LESLIE WAYNE

In a battle that echoes the attack on the tobacco industry, advocates of gun control are hitting the nation's gun manufacturers with a torrent of litigation and legislation to force those companies to make safer guns and accept responsibility for the violence their products can cause.

Just as anti-smoking forces took on tobacco companies on many fronts, gun-control advocates are drawing on the same tactics as well as those used by consumer groups against the automobile and liquor industries. Mindful of the outcomes of those disputes, the gun industry is fighting back.

The battle over guns is taking place in the courts, where gun-control supporters are testing new legal theories; at the state and local levels, where gun safety regulations have been enacted, and in Washington, where the gun industry has pulled away from the National Rifle Association, long the spokesman for firearms in the nation, and is now speaking more for itself.

In fact, in an intriguing twist on the tobacco disputes, gun executives say they want to follow the "alcohol industry model" rather than the "tobacco industry model" by responding to safety concerns rather than automatically resisting. Just as liquor executives thwarted critics by campaigning against drunken driving, gun makers say they want to convince the public that they are dedicated to making safer weapons and saving lives.

"On every possible front, there is an attack" from gun-control advocates, said Robert Ricker, a lobbyist for the American Shooting Sports Council, the industry trade association. "They are trying to demonize our products and make it politically incorrect to be a gun owner, just like it is to be a smoker. So we, as an industry, have to become pro-active and look at these problems differently than the tobacco industry did."

Anti-gun forces say there is good reason to demonize guns.

"We take heart from tobacco and cars," said Sarah Brady, chairwoman of Handgun Control Inc., a nonprofit group, and wife of James Brady, the former White House press secretary who was seriously wounded with President Ronald Reagan in a 1981 assassination attempt.

"Guns are an industry whose secrecy, opportunism, cynicism and disdain for consumer protection make it the next logical target for reform in America," Ms. Brady said.

The Massachusetts Attorney General recently proposed the novel theory that guns can be regulated under existing consumer safety laws. He is moving to ban inexpensive handguns known as Saturday night specials and to require child locks on guns. In the last year, more than 30 California cities adopted ordinances requiring child locks on handguns, and Chicago did the same this year. In New York, a closely watched legal case in which most gun makers are being sued over how guns are sold is moving toward trial.

Advocates of gun control are also bringing legal cases to expand the definition of product liability law. They are seeking to hold gun makers responsible for violent shootings if their products fail to have the latest safety features and are sold in ways that get them to criminals.

These advocates are not asserting, as in most product liability cases, that the gun industry makes defective goods. Rather, they say that because guns are so lethal, the conduct of gun makers in designing and selling their products creates a legal accountability.

"We want to make the gun indus-

try accountable for violence in a way it has never been held accountable before," said Dennis Henigan, legal director of the Center to Prevent Handgun Violence, a nonprofit organization.

The \$2 billion firearms industry, battered by slumping profits and a poor public image, has already made it clear it does not want to suffer the same fate as the tobacco industry.

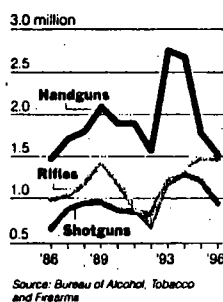
"Everyone can vividly remember seeing those tobacco executives parade up to Capitol Hill and deny that tobacco was habit forming," said Mr. Ricker, the lobbyist. "Everyone knew it was ridiculous. We are not going to go before Congress and say that guns are not dangerous and that kids are not killed with them."

As a result, the industry is distancing itself from the N.R.A., which long held sway in Washington with lavish campaign contributions and emotional Second Amendment pleas regarding the right to bear arms. To this end, executives of the nation's eight largest gun manufacturers, in-

cluding Smith & Wesson, a subsidiary of Tomkins P.L.C. of Britain, and Beretta USA, a subsidiary of the Italian arms maker Fabbrica d'Armi Pietro Beretta S.p.A., stood alongside President Clinton and law-enforcement officers on the White House lawn in October to announce they would voluntarily install child safety locks on handguns. This announcement was notable on several counts: The rifle association was not present, nor were handgun opponents, and in return for the voluntary agreement, the White House dropped its call to require such locks.

KEEPING TRACK Gun Production

Except for a spike in 1993, when the Bradygun-control law raised concerns that handguns might be banned, makers report a sluggish output of firearms.



Source: Bureau of Alcohol, Tobacco and Firearms

The New York Times

cluding Smith & Wesson, a subsidiary of Tomkins P.L.C. of Britain, and Beretta USA, a subsidiary of the Italian arms maker Fabbrica d'Armi Pietro Beretta S.p.A., stood alongside President Clinton and law-enforcement officers on the White House lawn in October to announce they would voluntarily install child safety locks on handguns. This announcement was notable on several counts: The rifle association was not present, nor were handgun opponents, and in return for the voluntary agreement, the White House dropped its call to require such locks.

"The gun industry has become more sophisticated," said David Tinker, editor of Firearms Business, a trade publication. "This voluntary gun lock was a positive step and smart politics in the face of what would have happened. In just a few years, Congress would have required it."

The industry has to bend to prosper. Sales of firearms have been flat for a decade, with production settling at 3.9 million domestic guns in 1996, the last year for which figures are available. Most gun makers are small companies with historical legacies, like Colt Industries, the Remington Arms Company and Smith & Wesson, that have had brushes with bankruptcy and sometimes had to be acquired to survive.

The first lawsuits claiming that

handguns were hazardous were filed about a decade ago. But only in the last two years has the movement gained enough momentum to force gun makers to respond.

"It's been a snowball effect," said Dr. Stephen P. Teret, head of the Johns Hopkins Center for Gun Policy and Research, "and finally that snowball reached a critical mass."

Most advocates of gun control say they are not seeking to eliminate guns but want manufacturers to incorporate safety features, just as car makers install seat belts and air bags. At the top of the list are child-proof locks and guns that are keyed so only their owners can use them.

They also say they want guns to be sold only to reputable dealers and not to distributors who resell them at gun shows and flea markets.

"We're shifting the focus away from the person pulling the trigger to the person making the trigger," Dr. Teret said. "There are lots of things gun manufacturers can do that won't take guns away from anyone but would reduce the incidence of gun accidents."

Some manufacturers already sell guns in locked boxes; others have child locks. But Ronald Stewart, chief executive of the Colt's Manufacturing Company, said that because the industry was barely profitable, there was little money for research into safer guns.

"We are getting whipsawed and beat to death," Mr. Stewart said, "and are getting no help for research."

Much of that battering comes from hundreds of lawsuits filed in recent years. Right now, the most closely watched case is Hamilton v. Accutec, in Federal District Court in New York. The defendants are the handgun manufacturer Accutec, a subsidiary of the IEC Electronics Corporation that recently filed for bankruptcy liquidation; 48 gun manufacturers, and 34 gun distributors. It stems from the shooting of Jewish students on the Brooklyn Bridge in 1994 by a Middle Eastern terrorist who used stolen assault weapons.

The suit contends that gun manufacturers should be held liable for the deaths of two people because they collectively sold handguns in ways that fostered a flow of firearms into criminal markets.

So far, the industry has dismissed these cases.

"The gun industry has dealt with litigation since it started," said Georgia Nichols, a lawyer and president of the American Shooting Sports Council. "None of these new legal theories have been successful, and we don't think they will be."

In Washington, the American Shooting Sports Council has tried to polish the industry's image by working with Government officials. The emerging prominence of this industry trade group points to the diverging interests of the gun makers and the rifle association.

"There's a big difference between what we and the gun makers do," said Tanya Metaksa, the chief lobbyist of the N.R.A., which gave \$1.7 million in the last election, making it one of the bigger campaign donors. "We deal with gun rights, and they deal with the gun business."

Advocates of gun control say that, as in the tobacco battle, the road here will be bumpy and will go from the states to Washington.

"In the tobacco case, it was an issue where consumers at the state level drove and created national policy because national policy on tobacco was so weak," said Scott Harshbarger, the Attorney General of Massachusetts who extended consumer protection laws to guns. "I take a lot of hope in that."

The Dallas Morning News

Texas' Leading Newspaper

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8 Sections

HF

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Hot as a pistol

Increasingly prominent gun trade group wins praise for conciliatory attitude behind safety-lock agreement

By Curtis Howell

Staff Writer of The Dallas Morning News

There is a new sound to the American gun debate.

It's the voice of compromise and moderation coming from the Atlanta-based American Shooting Sports Council, a little-known trade group representing the business side of the issue.

The council has emerged as a force in shaping gun policy, as the larger, higher-profile National Rifle Association continues to labor under the weight of its hard-line image.

The most visible manifestation of the council's growing clout is the recent

agreement that most gun makers made with the White House to include a child safety lock with each new firearm.

The deal, which was criticized by the NRA, highlighted the effectiveness of the council's more conciliatory approach, experts said.

"Maybe it's the coming of age for the gun lobby," said Dave Tinker, editor of *Firearms Business* newsletter.

Observers agree that the much-larger NRA, with 2.8 million gun owners as members, remains the most powerful gun lobby in electoral politics. On Capitol Hill, however, the council's approach is winning. Please see GUN on Page 25A.

Two years ago, former President George Bush quit the association after a fund-raising letter referred to government agents as "jack-booted government thugs." In the following months, membership fell rapidly from a record 3.5 million.

In 1994, former Texas Congressman Jack Brooks, a consistent supporter of gun rights, incurred the NRA's wrath with his vote for a crime bill that included a ban on certain assault-type weapons. The NRA subsequently supported Republican challenger Steve Stockman, who unseated the longtime Democratic incumbent.

NRA spokesman Tom Wyld said the assertion that the organization

is heavy-handed is a myth.

"I have never seen strong-arm tactics," he said. "Tanya Metaksa has proved herself to be a most magnanimous individual. Once you get to know us, all the myths are shattered."

Industry leaders reject any suggestion that the deal with the Clinton administration signals a turf war between gun lobby groups.

"The NRA still gets my money," said Paul Jannuzzo, the top American executive for Glock Inc. and an officer with council.

Where the organization differs with the NRA, Mr. Feldman said, "is not on goals, but on how we achieve them."

Continued from Page 1A.
ning it friends and influence.

"Probably more doors are open to them because people know they can talk to them and not be up against an uncompromising opponent," said Rick Dykema, chief of staff for Rep. Dana Rohrabacher, R-Calif.

"The ASSC cannot do things by muscle. It is more businesslike than threatening," he said. "The NRA is more in the mode of fighting."

Formed in 1989, the Shooting Sports Council represents about 80 percent of the nation's gun makers. Its members include 300 manufacturers, distributors, retail outlets and other firearms-related businesses.

The top three staff members, including executive director Richard Feldman, were once NRA employees, and most staffers are members of the association. They say they don't see their group as an opponent of the NRA.

"We should reinforce each other. I guess we understand that neither of us can be all things to all people," said council president Georgia Nichols of Bethany, Conn.

The NRA said it has no problem with the gun makers' including trigger locks but was critical of the council for dealing with President Clinton.

"I don't see how any good can come from standing with the most anti-gun president in history," said Tanya Metaksa, chief lobbyist for

"We should reinforce each other. I guess we understand that neither of us can be all things to all people."

— Georgia Nichols,
council president

the NRA. "One doesn't visit the opposition and say he has done great things."

Trade group officials say that by agreeing to safety devices, they avoided a battle in Congress and took a gun-control issue off the table.

"We didn't hand them [the White House] a win. If a gun is stored responsibly, we are all ahead," said Ms. Nichols, who is vice president and general counsel for O.F. Mossberg & Sons.

The child safety lock agreement is not the organization's first foray into gun politics. It also is not the first time it has worked on the opposite side of the NRA.

When the Brady bill calling for background checks and a five-day waiting period for handgun purchases surfaced, the council did not oppose the background checks.

"What we did oppose was the waiting period," said Bob Ricker, the group's director of governmental affairs.

He said the council was the lone original supporter of instant background checks in Virginia.

And, unlike the NRA, the trade group supported additional funding for the Bureau of Alcohol, Tobacco and Firearms.

The council's influence also is being felt outside of Washington.

Dick Rosengarten, editor of *California Political Week*, said that in the nation's most-populous state, a hot spot in the gun debate for several years, the group has more influence than the NRA.

"It's a combination of their methods and access," he said. "Although they will put their foot down, they seem to be a more reasonable group. The NRA puts its head in the sand."

Council officials and observers said the organization played a key role in California Gov. Pete Wilson's recent veto of a bill that would have banned "junk guns," low-cost, cheaply made handguns.

The NRA's Ms. Metaksa rejects that claim.

"If Feldman is claiming any credit for that veto, it's absolutely absurd. They were trying to cut a deal and derail our efforts" to get the measure killed.

The council's role in the trigger-lock agreement drew support from groups on the opposite side of the gun-control debate.

"I see it as a clear indication that the industry is willing to depart from the NRA," said Handgun Control Inc. president Bob Walker.

Former NRA chief executive officer J. Warren Cassidy said the council is a new, positive force in the gun lobby.

"I think it's healthy," he said. "I think it's easier for the ASSC to have an innovative approach. The NRA in recent years seems to enjoy an in-your-face approach."

Mr. Cassidy, who is still an NRA benefactor, credited executive director Feldman with the council's increasing influence and successes for the industry.

In recent years, the NRA has taken a hard-line approach to lobbying for its views, alienating many of its supporters.





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Date: 06/22/1998 03:43 pm (Monday)

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Subject: Colt CEO

President, Colts Manufacturing Company

Ronald L. Stewart

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Colt is plural, and it is Company not Inc.

I am also sending a fax with some background on the relations between
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industry group.

Please let me know if you need anything further.

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Vol. 7, No. 10

June 1, 1998

Inside This Issue: Colt's president Ron Stewart quit his post on the ASSC board. (Page 1) Colt's Manufacturing Co. has signed letters of intent to buy Saco Defense Systems, a military and commercial contractor based in Maine. (Page 3) Kahr Arms claims Colt's Pony and Pony Pockelite pistols violate patents it holds. (Page 4) A price war has erupted among the "Big Three" ammunition makers. It started with rifle ammo but may spread to shot shells. (Page 4) Smith & Wesson has gone high tech with a new law enforcement division it calls Public Safety Technologies. (Page 5) The Sports Authority lost \$3.7 million during the first quarter. The chain will also become a subsidiary of Woolworth after a pooling of interests. (Page 7) Jumbo Sports is closing some Texas stores and expanding some Florida units as it tries to concentrate on its most profitable markets. (Page 8)

COLT'S PRESIDENT RESIGNS FROM ASSC BOARD: Colt's Manufacturing Company, Inc. president Ronald L. Stewart abruptly resigned from the American Shooting Sports Council board of directors following the group's recent meeting, *Firearms Business* has learned.

Stewart, in a letter to ASSC executive director Richard Feldman, said he was quitting after "months of witnessing your organization single-handedly destroy the credibility of what fleeting semblance of unity the firearms industry had, or was trying to establish.

"The last meeting I attended was the definitive factor in my decision. I sat in wonderment at the ineptitude, disorganization and lack of leadership present in that room," Stewart said. "Self-promotion and ego fulfillment are not what we at Colt's are striving for or care to associate ourselves with."

ASSC president Georgia Nichols, vice president and general counsel of O.F. Mossberg & Sons, said Stewart's "comments and criticisms of the association and its board are troubling, to say the least. As an officer and board member who attended the meeting, I must disagree strongly with, and am insulted by, his characterizations of the board and the ASSC leadership.

"ASSC represents companies and individuals who have worked in our industry for years. They have worked hard to create a strong, unified and credible association to defend and further the interests of the industry as a whole. Events of the last few years are testimony to our increasing success. From orchestrating and overseeing the collective legal defense in the California Proposition 65 lawsuit and developing a strong relationship with BATF to the recent voluntary safety lock initiative, ASSC has established itself and

"It has always been Colt's belief that in the absence of tested technology, the only way to prevent accidental fatalities is by an awareness of the personal responsibility that comes with the ownership of a firearm. Colt and many other manufacturers have historically provided their customers with safety instruction materials that emphasize gun safety and proper handling of a firearm. Supporting a mandate of safety locks will serve only to introduce a false sense of security to the consumer.

"It is my sincere belief that you missed an opportunity to shape the debate of gun safety into one that is substantive. It would be in the best interest of the industry that any and all future pronouncements purportedly reflecting industry opinion do indeed represent the opinion of the industry on a whole," Stewart wrote.

The Colt's executive again raised a few hackles among industry veterans last December when, in a guest column for *American Firearms Industry* magazine, he described the trade's response to the anti-gun lobby as "ill-postured, defensive and pathetically inadequate" and offered a five-point plan to get the industry's message to the public.

Among Stewart's ideas was the "creation of a research and development program to further firearms technology toward more advanced methods that promote safety (such as personalized firearms). While this should not be mandated it should be an option for the consumer. If we can send a motorized computer to Mars, then certainly we can advance our technology to be more childproof." He further called for a joint industry committee to study firearms technology and safety mechanisms.

Stewart also called for the creation of a federal gun permit to pre-empt "the hodgepodge of existing state laws and local ordinances" and urged giving serious consideration to a gun permit that "would require each holder to undergo thorough firearms training and pass a uniform examination. The law should also require that dealers qualify as certified firearms instructors and actively participate in training the public concerning the safe and appropriate handling of guns."

COLT'S INKS LETTERS OF INTENT TO BUY SACO DEFENSE: Colt's Manufacturing Company, Inc. has signed letters of intent to purchase military and commercial firearms contractor Saco Defense Systems, Inc., market sources reported.

Saco Defense is a subsidiary of Duchossois Industries, a \$700 million conglomerate that manufactures railroad equipment, garage doors and operates Arlington Racetrack. Saco is known primarily for its military products, specifically the Mark 19 grenade launcher, the M60 machine gun and a Browning machine gun.

On the commercial side, Saco manufactures the Mark V bolt action rifle for Weatherby, Inc. At one time, the Saco, Maine-based company produced the Desert Eagle pistol for Magnum Research.

Some sources suggest Colt's is interested in the company for its military production capability, noting that Saco's products, although comparatively old designs, would complement Colt's M16 and M4 Carbine business. Others aren't sure why Colt's would make such a move.

our industry as major players on the political scene. And, considering the increasing threats posed by legislation, regulation and litigation, it is even more critical that we not be fragmented now.

"It is apparent from his letter, however, as well as from recently published statements, that Ron's views of our industry and the issues confronting it differ considerably from those held by most of us," Nichols said.

"The direction that Colt is taking is of great concern to many, both within the industry and from the firearms owning community in general. I hate to see Colt isolate itself in such a manner. I do not believe it is beneficial to the company, nor the entire industry."

Stewart and Colt's have marched to the beat of their own drummer for the past couple of years and have apparently been at odds with many in the industry for quite some time. Most sources say the differences of opinion and strategy dates back to September 1996 when Colt's introduced its "smart gun" technology at a Washington, D.C. press conference attended by a number of anti-gun groups and politicians. ASSC expressed cautious optimism about the new technology. Other pro-gun groups privately accused Colt's of playing into the hands of the industry's traditional opposition and questioned the firm's political savvy.

The Colt's executive later took ASSC to task for its role in the October 1997 lock initiative, saying in a letter to Feldman that ASSC, "by putting a political fix on the very real issue of accidental firearm fatalities, you have opened up the firearms industry to undue criticism.

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Remington
Smith & Wesson (SW)
Marlin
Mosberg

Top 5 for Hand Guns

Smith & Wesson (SW)
Sturm - Ruger (SR)
Beretta
Colt
Lorcin



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Gun Makers May Move Because of California Gun Control Bills

By Gray Scott, The Business Press, Ontario, Calif.
Knight-Ridder/Tribune Business News

Jun. 16--Proposed state gun control legislation has put a trio of Inland Empire handgun manufacturers on the firing line.

Winding their way through Sacramento's two houses are virtually identical bills that would force California gun manufacturers to meet the quality standards required for imported guns.

The laws would affect at least three local manufacturers: Mira Loma-based Lorcin Engineering, Chino-based Davis Industries and Ontario-based Phoenix Arms. All three make handguns that sell in the \$100 range, often called "Saturday Night Specials."

Lorcin founder and President Jim Waldorf and Phoenix President Dave Brazeau say the bills, if passed, won't put them out of business. But passage of the bills may make them move out of state.

Phoenix and its local suppliers employ roughly 100 employees; Lorcin employs 30.

Should either bill become law, Waldorf says his Mira Loma facility will start following the new standards -- resulting in a new line of more-expensive guns. Waldorf figures he'd just move Lorcin's cheaper line of guns to Nevada.

Brazeau, on the other hand, vowed to move the entire Phoenix Arms operation out of state if a law against manufacturing inexpensive handguns proves too tough to deal with.

Officials at Davis Industries would not comment.

Specifically, the bills would force domestic handgun manufacturers to meet product requirements of the 1968 U.S. Gun Control Act -- a law that set standards for foreign-made, imported handguns, according to Bill Mabie, chief aide for State Sen. Richard Polanco (D-Los Angeles), author of one of the bills.

Those standards target guns that are easily concealable or made with nonsteel parts, but make allowances for "sporting" guns that come equipped with such details as sports grips and sports targeting sights, officials say.

If the law passes, gun owners also won't be able to sell or transfer ownership of guns that violate the new standards after Jan. 1, 1998. The Polanco bill would make exceptions for guns made before 1998, but the Assembly version of the bill, authored by Assemblyman Louis Caldera (D-Los Angeles), would apply to guns made before that date as well.

Mabie said the bills, which he expects will reach Gov. Wilson's desk

within two months, are not intended to drive manufacturers out of business -just force them to make better guns. He views the 1968 act as a safety law, although opponents of the bills argue that the earlier law was part of a protectionist policy.

"It just seems logical that local manufacturers would be held to these standards," Mabie said. "The issue is that we have a law on the books that's worked for nearly 30 years. If it's good enough for guns imported into the U.S., it's good enough for domestic manufacturers."

Lorcin's Waldorf said that if the bills become law, the cost of the company's handguns would shoot to about \$600.

"I believe it's wrapped in the guise of being a safety issue, but it's a gun control issue based on price," he said. "Basically what it says is, if people can't afford \$600 for a gun, they can't buy a gun."

Mabie argues that the issue is safety. "We don't sell cars without headlights and brakes so they'd be accessible to people of lesser means," he said. Moreover, Mabie argues, Saturday Night Specials are commonly bought and used by criminals.

But Bob Ricker, director of governmental affairs for the American Shooting Sports Council, said Saturday Night Specials are connected often to crime simply because there are so many more of them made, compared with higher-priced guns.

The council, which is fighting the two bills, believes the U.S. Gun Control Act is being misused by the bill's authors. Ricker argues that the original act had more to do with protecting American industry from foreign competition than with safety.

The act favored gun parts made from forged steel in an attempt to drive up the price of foreign guns, which were often made with cheaper materials and less labor intensive processes, he said.

Ricker suspects Saturday Night Special makers will simply strap sporting accessories onto their handguns to get around the proposed laws, raising the average price to about \$175, but not making the guns any safer.

Not that he thinks they're unsafe to begin with. Although some parts of the 1968 act, which the California bills invoke, address ways to prevent unintentional firing, Ricker argues that the cheap handguns made by Lorcin, Davis and Phoenix already possess safety features.

Phoenix, for instance, has a "magazine interlock" feature that makes its guns unusable as long as the magazine is removed. That way, if a round is unintentionally left in the chamber, the gun won't fire, Phoenix president Brazeau said.

"There's no other gun on the market today that has that feature, not even at \$1,500 retail," Brazeau said.

Both Ricker and Carolyn Herberston, a spokeswoman for Gun Owners Incorporated in Sacramento, argued that any American manufacturer who turned out unsafe guns would be chased out of business by lawsuits. "The liability alone would kill them," Herberston said.

Due to the original act's age, it ignores advances in composite materials that are being increasingly used in handgun manufacturing, Ricker said. That means the California laws would affect every American gun manufacturer and seller doing business in the state, not just makers of \$100 handguns, he said.

Handgun Makers Agree to Use Safety Locks

Continued From Page A1

Richard Feldman, executive director of the American Shooting Sports Council, an Atlanta organization that represents gun makers, retailers and distributors.

"We very much want to be the responsible industry, and perceived that way by the public," said Mr. Feldman, who represented the industry in talks with the White House.

Without White House action, the industry would eventually have offered the locks anyway, Mr. Feldman said, "but not as quickly."

Mr. Feldman predicted that additional manufacturers would soon join the effort, saying, "This is an issue whose time has come."

Mr. Clinton has tried to make gun control a hallmark of his Administration. Although some critics have dismissed his push for child-safety locks as a trifling proposal, White House aides believe that the locks are not only effective but also reinforce Mr. Clinton's image as caring for families.

Some child-advocacy groups argue that the locks could cut down significantly on accidental gunshot deaths and injury among children. Each year, an estimated 1,500 children ages 14 or younger are treated

An unlikely team: executives from firearms companies and the President.

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Bill Powers, a spokesman for the National Rifle Association, said his group had objected to "one-size-fits-all government mandates" on the use of locks.

Mr. Powers said that he would not comment on a voluntary industry arrangement, but that "if a gun manufacturer wants to enter into a business deal with a trigger-lock company, I guess that's between the two of them."

But, he said, "if President Clinton really really really cared about reducing firearms access" among children, he would "stand up and use the bully pulpit of the White House to urge everyone to take an N.R.A. fire-

arms safety course."

The locks that the makers will install may vary widely, from locking boxes to smaller devices that block the chamber or the trigger. They all function more like seat belts than air bags; that is, they require the gun owner to take action to use them before they can offer any protection.

Mr. Feldman estimated that such a lock would add \$5 to \$10 to the cost of a gun, depending on the device.

The White House is also pursuing other new gun-control strategies. It has asked the Treasury Department to explore possible rationales under the 1968 Gun Control Act for banning certain types of Israeli-made semi-automatic weapons, officials said.

One firearms company, Sturm, Ruger & Company, began shipping locks with its guns last spring, acting on plans it had made before the President's directive. Then, in August, the Smith & Wesson Corporation, a Tomkins PLC subsidiary that is the world's largest maker of handguns, announced it would also begin packaging locks with its guns. Smith & Wesson had been planning to take that action since last year, after discovering that 40 percent of its buyers had never owned a gun, said Ken Jorgensen, a company spokesman.

Together, those two companies ac-



Philippe Diederich for The New York Times

Smith & Wesson, whose revolver includes a trigger lock, above, a Sturm, Ruger & Company already ship locks with all their handgun

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After Smith & Wesson announced it would begin providing locks, Mr. Clinton wrote a letter congratulating the company. And he directed his senior adviser, Rahm Emanuel, to

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Mr. Emanuel, who has overseen Mr. Clinton's firearms policy, met down with representatives of the industry at the Doubletree Hotel here on Sept. 25, in a meeting of traditional antagonists that both sides said they found peculiar.

"I said, 'Look, I know all you guys think I have horns,'" Mr. Emanuel said. But, he said, they could come to terms on safety locks.

"We've got something where we can draw a line around kids and family," he recalled saying.

Mr. Emanuel said he held out the prospect of the White House's blessing for the industry's action, telling the representatives that "we would recognize and acknowledge the industry leaders who were taking steps."

GUN MAKERS AGREE ON SAFETY LOCKS

Make Deal With Clinton to Try
to Cut Children's Accidents

By JAMES BENNETT

WASHINGTON, Oct. 8 — After quietly negotiating with the Clinton Administration, the manufacturers of most handguns in the United States plan to gather at the White House on Thursday to announce that they will provide child-safety locks with their firearms by the end of next year, a senior White House official and a representative of the gun makers said today.

The announcement, which will insure that about 80 percent of handguns made in the United States are sold with such locks, is expected to produce the unlikely spectacle of President Clinton, who has sought throughout his Presidency to restrict access to firearms, standing in the Rose Garden beside executives from more than half a dozen gun makers.

The firearms industry has been under increasing pressure from state governments as well as the Clinton Administration to address accidental shootings, which killed 185 children in 1994, according to the most recent Federal statistics. This year, two large firearms companies already began providing such locks.

The deal averts an expected battle in Congress over legislation mandating the locks. Mr. Clinton had called for such a law in his State of the Union Message. Then, in March, he directed all Federal agencies to require safety locks on every handgun issued to any law-enforcement agent.

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Uneasy Gun Makers Add Gentler Product Lines

By PAUL M. BARRETT

Staff Reporter of THE WALL STREET JOURNAL

At the gun industry's biggest annual trade show in Atlanta last month, Smith & Wesson Corp.'s chief executive, Ed Shultz, wanted to talk about mountain bikes—and home alarm systems, locks, safety glasses

INDUSTRY FOCUS

and sports clothing.

Eighteen percent of Smith & Wesson sales now come from nongun products like the sturdy blue-and-white bikes on prominent display at the trade show, says Mr. Shultz. He sees "a time in the not-too-distant future when it'll be 50%."

Facing a nearly stagnant firearm market and a new wave of legal attacks by cities, the world's No. 1 maker of handguns is diversifying to fuel revenue growth and improve its image. Rival Sturm, Ruger & Co., grappling with a 50% drop in its share price over the past year, has similar high

expectations for a division that makes golf-club heads.

Another prominent gun maker, Colt's Manufacturing Co., is marketing apparel, luggage and stuffed animals while also trying to stir public interest in the concept of a safer "smart gun." In addition, Colt's is seeking to regain its once-strong position as a supplier of small arms to the military.

Lawsuits accusing gun makers of negligence in manufacturing and marketing handguns have increased pressure on an industry struggling with some fundamental business problems. For one thing, guns last a long time, and Americans already have an estimated 230 million of them. Hunting, though supported by an aging corps of enthusiasts, gains fewer new adherents with each passing generation. And some companies worry that falling crime rates could depress demand for weapons used for self-protection.

That's why diversification had begun before the new legal assault. Five cities—



Colt's, maker of the .45 Defender (below), shows its softer side with a line of stuffed animals (left, Samuel the bear)

Atlanta; Bridgeport, Conn.; Chicago; Miami; and New Orleans—have sued gun makers and suppliers for reimbursement for the public costs of responding to gun violence, and another half-dozen or so are expected to follow in coming months. If this movement becomes a stampede, the cost and distraction of defending them-

selves could force the relatively small gun companies to consider accepting more regulation of how they do business.

Some gun-marketing executives call their strategy "the Harley-Davidson model," meaning an effort to dilute a product's negative connotations, much as the storied motorcycle maker once associated with the Hell's Angels has done by licensing its name for theme restaurants, sports-wear and toys.

Smith & Wesson, a unit of Britain's Tomkins PLC, lately has opened eight retail stores around the country to market apparel featuring the company insignia, bicycles and other nongun products. It sells police departments everything from handcuffs to computer software for tracking suspected criminals. Mr. Shultz, a veteran of the office-furniture business who joined Smith & Wesson in 1992, acknowledges that regardless of the outcome of the city suits, handguns will remain controversial. "We

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INDUSTRY FOCUS

Gun Manufacturers Diversify Into Gentler Product Lines

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need to take the uncertainty out of the business" by getting into new product lines, he says.

Once dominant in selling handguns to the police, Smith & Wesson lost sales in the 1980s to the U.S. units of Austria's Glock GmbH and Italy's Beretta SpA, which spearheaded a change from revolvers to semiautomatic pistols. Semiautomatics can fire more quickly and typically hold more bullets. The foreigners used their success with law enforcement and the military to break into consumer sales in the U.S. That development was especially punishing for Smith & Wesson because it doesn't make rifles or shotguns, as most of its major rivals do.

Smith & Wesson's handgun sales were "basically flat" in 1998, Mr. Shultz says. He won't discuss precise financial results beyond saying that annual revenue is between \$100 million and \$150 million.

Mr. Shultz plays down concerns that falling crime rates will hurt business. Consumers care mostly about their immediate communities, he maintains, and crime continues to be a problem in many big cities. On a positive note—for the gun business, if not the rest of society—he says that popular fear about communications and security breakdowns related to Year 2000 computer snafus has contributed to improving handgun sales this year.

Gun makers also expect a short-term

benefit from the municipal lawsuits: Some gun owners are buying additional weapons this year out of fear that the litigation could cut down on future availability.

The only publicly traded U.S. gun company, Sturm, Ruger, is counting on a balance between handguns, rifles and shotguns—as well as its golf-club business—for continued growth, says William Ruger Jr., vice chairman and president. But generally, he acknowledges, "we're in a very mature market with very little real innovation."

Diversification didn't yield a windfall for Sturm, Ruger last year, as start-up costs in the golf division and modest demand for club heads damped financial performance, says Timothy Conder, a leisure-industry analyst with A.G. Edwards & Sons Inc. in St. Louis. The company, which trades on the New York Stock Exchange, reported 1998 net income of \$23.4 million, down nearly 16% from 1997's \$27.8 million. Sales increased 1% over the same period, to \$211.6 million.

"I think we'll see handguns bounce back a bit this year," Mr. Ruger predicts, in part because many states have made it easier to carry concealed weapons. Consumers are increasingly interested in small, light pistols, which Sturm, Ruger and its rivals are producing in larger numbers.

Mr. Conder says that worries about 1998 performance and the municipal litigation have excessively depressed the price of

Sturm, Ruger's stock. Pointing to the company's debt-free balance sheet, which also features about \$2.25 per share in cash and cash equivalents, he says Sturm, Ruger is now a good buy at under \$10. That price is down more than 50% from its 52-week high of \$21.25 last April.

Mr. Conder predicts that Sturm, Ruger will exceed the 2% to 4% long-term annual sales growth that he expects for the industry as a whole. He also foresees considerable consolidation by means of acquisitions and some attrition.

A catalyst for this consolidation has been Colt's, which was acquired in the midst of bankruptcy-court proceedings in 1994 by the investment firm of New York financier Donald Zilkha. Infused with new capital, Colt's has recently purchased two smaller companies: one that makes military small arms; the other, lightweight sports rifles. John Rigas, Mr. Zilkha's business partner, predicts more acquisitions and a distinct turn toward the military market.

Colt's recently has obtained new contracts to make grenade launchers and M-16 rifles for the military. The company had allowed more-nimble foreign competitors to snatch its once-sizeable Pentagon contracts, Mr. Rigas concedes, but it will now fight to win that business back.

Colt's had 1998 operating profit of \$13.4 million on sales of \$136 million, Mr. Rigas says. He declines to state a net-income

number, saying that the recent acquisitions make that figure easy to misunderstand. In 1997, the company had operating profit of \$7 million on sales of \$87 million, Mr. Rigas says.

In the handgun market, Colt's says it is banking heavily on developing a "smart gun," which will incorporate a microchip allowing the weapon to fire only when it receives an electronic signal from a ring or bracelet worn by the gun's authorized user. The company believes that there are millions of people who would buy a handgun for home protection if it contained such technology, Mr. Rigas says. Colt's has hired a team of high-tech executives to push the research, but a marketable product is still years away, he adds.

Colt's hopes that a smart gun will alleviate legal problems. Most of the cities that have sued so far are alleging that gun makers should be held liable for gun-violence costs because they have failed to develop just such safety devices.

Other companies are skeptical, however. Smith & Wesson, which markets its handguns with conventional trigger locks, has looked at microchip technology but worries that it won't work reliably in emergency situations, Mr. Shultz says. Sturm, Ruger, which sells all of its guns in lockable boxes, isn't interested at all in the smart gun because of doubts over its reliability, says Mr. Ruger.

Wall Street Journal
3/25/99

PHOTOCOPY
PRESERVATION

Recasting the Gun as Sports Equipment

New Ads Stress Shooting's Safety And Popularity

By SALLY BEATTY
Staff Reporter of THE WALL STREET JOURNAL

AMID STAGNATING SALES and a wave of municipal lawsuits, the embattled gun industry is launching an ad campaign to publicize how safe firearms are.

The National Shooting Sports Foundation, an industry trade group based in Newtown, Conn., is waging its first major magazine ad campaign this week. The ads don't brag about fire power, or even the right to bear arms. Instead, they discuss the popularity and safety of "shooting sports," such as hunting and target practice.

Gun makers and retailers "never want a firearm in the wrong hands," reads one ad featuring a photo of a Ruger shotgun. "Safety is our first and foremost priority." It and other ads in the campaign end with the foundation's tagline: "An industry association dedicated to a better understanding of shooting sports since 1961."

The campaign is the most recent salvo in the gun industry's public-relations effort to portray guns as sports equipment, not deadly instruments of crime and accidents. While critics blame guns for murders, the ads emphasize how the gun industry promotes the safe handling of firearms.

Created by the Washington public-affairs advertising firm Porter Novelli, a unit of Omnicom Group, the campaign is running in magazines including the Economist, the Atlantic Monthly and the New York Times Book Review. It aims to educate "opinion leaders" about a part of American heritage that has been lost, says Doug Painter, executive director of the client group.

"Many urban Americans, if asked to think of a word they would associate with firearms," might suggest "crime and violence as opposed to hunting and skeet shooting," Mr. Painter says. That negative image "is simply a lack of familiarity with our sports." The ads make the point that shooting sports are represented in 21 Olympic events.

The ads are expected to cost \$1 mil-

The very fact that it can be dangerous is what makes it safe.

Shooting sports are among the safest of all sports. One reason is that hunting

and target shooting sports participants have always understood that owning a

firearm is a full-time job that requires

knowing how

to use, handle

and store firearms safely. Safety is our first

and foremost priority. As a result, accidents at shooting events and gun clubs

are virtually unheard of. The NSSF (National Shooting Sports Foundation)

never wants a firearm in the wrong hands. Which is why we make firearm

safety an integral part of all NSSF programs, and have distributed millions of

safety materials educating newcomers and reminding current participants about

the importance of safe gun storage and handling practices. We're also the

major financial

supporter of the International Hunter Education Association, which reaches

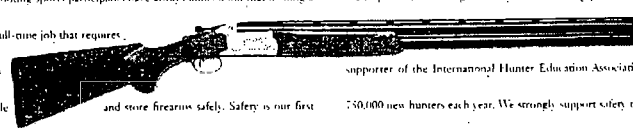
750,000 new hunters each year. We strongly support safety training for all par-

ticipants, including hunter education courses which are now mandatory in 49

states. To find out more, including why shooting sports are one of the most

popular sports with 27 million participants, visit our website at www.nssf.org

Or, write to us at NSSF, 11 Mile Hill Road, Newtown, CT 06470.



NATIONAL SHOOTING SPORTS FOUNDATION

The National Shooting Sports Foundation's ads start running this week

lion in the campaign's first year and to run for three years. Previously, the foundation had limited its advertising to running safety messages in hunting and outdoor-sports magazines. Financing for the ads come from what the group calls a "voluntary tax" on member gun-makers equal to 1% of their sales. The fund also will be used to pay industry legal costs.

Other gun groups also are planning to fire up more pro-gun messages. The National Rifle Association, the big Fairfax, Va., organization of gun owners, has roughly doubled its annual ad spending over the past year, says Wayne LaPierre, the group's chief executive. Celebrity gun supporters who have appeared in NRA ads include author Tom Clancy, actor Tom Selleck and baseball great Nolan Ryan. More ads and infomercials are in the pipeline, Mr. LaPierre says. "We're going to be more aggressive than people have seen the NRA in its history."

Mr. LaPierre applauds the National Shooting Sports Foundation's

new campaign. "I think it's good they've come together to communicate to the public at large the positive aspects of the shooting sports, and the industry's long history of contributions to the public at large in terms of safety and training," he says.

The gun's negative image 'is simply a lack of familiarity with our sports,' the firearms group says.

The National Shooting Sports Foundation, which represents 1,500 gun manufacturers, distributors and retailers, was formed to promote the industry with public relations campaigns. Its aggressive new effort follows leadership upheaval last month at

the gun industry's lobbying group, the American Shooting Sports Council. The council ousted a top executive viewed by some gun-industry hard-liners as too inclined to compromise with critics. Both groups operate independently of the NRA.

As part of its PR initiative, the shooting-sports foundation has approached the producers of the hit Broadway show "Annie Get Your Gun" about participating in a splashy public-relations event, perhaps a shooting exhibition at the Tamarack Club, an elite private shooting club in Millbrook, N.Y. A spokesman for the production confirms the parties have talked about such an event and adds, "There are no plans to do anything at this time."

Another of the foundation's ads features a bull's eye and equates firing a gun with competition and achievement. "Since the first cave man threw a stone, the challenge of hitting a target has been part of human nature," it reads. "Target sports

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Ads Recast Guns as Sporting Goods

Continued From Page B1

require skill." Nearby is a photo of a Smith & Wesson handgun.

Mr. Painter says the campaign isn't a response to litigation. The cities' lawsuits, which have accused gun makers of negligence, haven't affected the campaign in any way, he says—except to "underscore the timeliness and the fact that we probably should have been doing something like this a long time ago."

The foundation hired Porter Novelli in August 1998—three months before the first lawsuit was filed, Mr. Painter points out. Speculation that some cities would file legal complaints against the industry, however, had been circulating since mid-1997.

Porter Novelli is perhaps best known

for representing antitobacco forces in their fight against cigarette makers. Indeed, tobacco lawsuits have served as models for cities launching legal attacks against the gun industry.

Robert Druckenmiller, Porter Novelli's chief executive, says the firm's role in antitobacco litigation wasn't the reason it was hired to represent gun makers. "It has less to do with the litigation side of it than the ability to address complex health or safety-related issues from a public-education perspective," Mr. Druckenmiller says, adding the firm got its start developing campaigns for the National Institutes of Health on subjects such as heart disease and cancer.

Wall Street Journal
4/5/99

PHOTOCOPY
PRESERVATION



Jeffrey A. Shesol
05/08/99 05:40:17 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Jose Cerda III/OPD/EOP

cc:

Subject: I'm sure you've seen this...

MAY 08, 16:10 EDT

Gun Industry Mulls Gun-Control Plan

By WILLIAM C. MANN
Associated Press Writer

WASHINGTON (AP) — Two major firearms industry groups aren't closing the door on Clinton administration gun-control proposals, but their leaders said Saturday they want to see exactly what the White House is offering before signing on.

The crunch comes Monday, at a White House ``strategy session on children, violence and responsibility."

``We haven't seen the language," said Robert Ricker, executive director of the American Shooting Sports Council. ``We told the White House we have to see the language before we can make any commitment."

Ricker and Robert Delfay, president of the National Shooting Sports Foundation, met at the White House last week with Bruce Reed, President Clinton's chief domestic policy adviser.

Delfay told The Associated Press they ``ticked down the list of many points," eight or more, that were expected to be offered for discussion Monday. ``We did not agree to anything," he said. ``We indicated — and this is the absolute bottom line here — what our position might be. The White House certainly acknowledged that the devil would be in the details."

And Ricker said: ``I would hope, or at least I have the impression, that we would have some input in crafting those proposals."

The Washington Post reported Saturday that the council, the lobbying arm of the gun industry, and the foundation, which promotes shooting sports for the industry, agreed to support five principal White House proposals:

- Raising the age eligibility for buying a handgun from 18 to 21;
- Holding parents criminally responsible for giving children access to guns;
- Forbidding juveniles convicted of violent felonies from ever buying a gun;

—Requiring people who sell guns at gun shows to make background checks on buyers; and

—Expanding a federal program to require that all firearms found at a crime site be traced.

The newspaper said the organizations refused to endorse White House proposals to require three-day waiting periods for buying guns and allowing people to buy only one gun a month.

White House adviser Reed did not respond Saturday to calls to his office and his home.

While insisting the industry groups remain uncommitted to specific White House legislation, Ricker said the industry and even the National Rifle Association, the largest gun owners' organization, have supported versions of some of the White House proposals in the past. That is true particularly about parental responsibility laws such as those in California, Florida and half a dozen other states, he said.

Such laws became the subject of much discussion after a school shooting last year in Jonesboro, Ark., that killed five people and injured 10, and again last month after two teen-agers shot 13 people, then killed themselves, in Littleton, Colo. The Jonesboro pair swiped their weapons from the grandfather of one of them; in Colorado, one of the boys involved made bombs in his room, where he had Nazi paraphernalia.

The Washington Post report also speculated that the gun industry group's positions on the White House proposals indicated a split with the NRA. Both Ricker and Delfay said that's not true.

“This alleged or hopeful rift between the industry and the NRA ain't there,” Delfay said.

He noted that the NRA was not at the meeting with Reed and will not be represented officially on Monday. Since gun-control advocates were invited, Delfay said, “We thought that was very bad form on the part of the White House.”

Actually, an NRA board member, former Rep. Bill Brewster, D-Okla., was invited and will be at the meeting. But association spokesman Bill Powers said Brewster is “not an official spokesman for the NRA, as none of our board members are.

“I think it is curiously odd that they snubbed Charlton Heston,” he said. Asked why the actor and NRA president was not invited, Powers said: “Ask the White House.”

Gun council merges with more hard-line organization

By Wendy Koch
USA TODAY

WASHINGTON — A gun industry group whose executive director has been critical of the National Rifle Association is being merged into a larger group allied with the NRA.

Effective Thursday, the 350-member American Shooting Sports Council (ASSC) is being folded into the 1,500-member National Shooting Sports Foundation (NSSF), which has been less willing than the ASSC to compromise on gun control.

The merger could signal a tougher, more coordinated industry approach toward the nearly two dozen city and county lawsuits against gunmakers, accusing them of negligent marketing and failure to include sufficient safety devices.

The merger also means that Robert Ricker, ASSC's outspoken executive director, will play a far less visible role. He said he expects to do legislative work for NSSF but doesn't yet have a contract.

Ricker agreed with most of the gun restrictions passed by the Senate in May, including a requirement for background checks on all buyers at gun shows. Checks are now required only on people buying from licensed dealers.

The NSSF opposed the gun-show measure, and the NRA lobbied successfully to defeat it in the House of Representatives.

Ricker participated in a recent White House summit on youth violence, unlike NSSF president Robert Delfay, who joined the NRA at a rival news conference that day.



Robert Ricker: American Shooting Sports Council executive director advocated compromise on gun control. He says some in the gun industry had problems with his criticism of the NRA.

Ricker talked to mayors about heading off or settling lawsuits and to Clinton administration officials about a proposal to combat gun trafficking.

"I don't think it's an effort to silence anyone," Ricker said about the merger. "It's an attempt to bring the industry all together." But he acknowledged some gunmakers might have felt "uncomfortable" about his differences with the NRA. At least once before, the NRA orchestrated a boycott against a manufacturer that it viewed as too willing to accept gun restrictions.

Delfay said the NRA had nothing to do with the merger. Citing the ASSC board's unanimous approval for the consolidation, he said some gunmakers disagreed with Ricker's approach.

"There was concern that there was a lack of communication and coordination," Delfay said. The Washington-based ASSC was established in 1989 to represent gun and ammunition manufacturers. The NSSF, founded in 1961 and headquartered in Newtown, Conn., counts gun companies, dealers and individuals as members.

Michael Saporito, senior vice president of RSR Wholesale Guns Inc. and an ASSC board member, said Ricker had his group's support. But he said the ASSC did not represent as much of the industry as the NSSF.

"There was a need for unity," Saporito said. Still, he added, it's unclear how everyone will get along. "It's going to make for interesting board meetings."

House rejects resolution calling for day of prayer

By John Fritze
Gannett News Service

WASHINGTON — Citing the shootings in Littleton, Colo. and the conflict in Yugoslavia, Rep. Helen Chenoweth, R-Idaho, led an attempt Tuesday in the House of Representatives to pass a resolution calling on the nation to pray and fast "for healing and spiritual renewal."

But just days after approving a measure allowing public schools and government buildings to post the Ten Commandments, the House fell short of passing the nonbinding resolution. It would have asked people of all faiths to turn to religion to help heal wounds Chenoweth said were caused by recent acts of violence across the country and the world.

The House defeated the measure on a procedural vote, failing to capture the two-thirds of members necessary for expedited passage. The vote was 275 members in favor, 140 against and 11 present. Chenoweth spokesman Kyle Key said supporters might try to put the legislation on the House floor again as early as today.

"Our nation is sick and hurting, and now is the time when all Ameri-

cans of faith must come together and pray for healing and a spiritual renewal," Chenoweth said.

Opponents of the resolution said it would violate the separation of church and state. Rep. Jerrold Nadler, D-N.Y., said, "No matter how this resolution is dressed up, it is an endorsement of religion and particular religious positions." Rep. Marcy Kaptur, D-Ohio, who voted present, said, "We don't need government-mandated worship."

The nonbinding resolution, which could also be considered by the Senate, set no date for prayer but instead urged leaders in national, state and local government and the clergy to pick a day or days.

At least one group, Americans United for Separation of Church and State, was critical of the resolution.

"Obviously, the House of Representatives is hopelessly adrift. Calling people to prayer and worship is the job of our houses of worship," said the Rev. Barry Lynn, executive director of the organization. "The American people know when and how to pray. The last thing we need are political demagogues masquerading as spiritual leaders."

WASHINGTON

Compromise struck on Y2K liability legislation

Congressional Republicans and the White House agreed Tuesday on a final version of legislation to limit liability from the Year 2000 computer bug known as Y2K.



Gore: 'Heavily involved' in deal

The U.S. Chamber of Commerce hailed the result as a "huge victory" over trial lawyers, who supporters of the bill said would flood the courts with frivolous lawsuits. Opponents of the legislation criticized the agreement as giving too much protection to businesses at the expense of consumers. Joan Claybrook of Public Citizen accused the Clinton administration of a "shocking about-face."

The compromise settles a dispute that threatened to damage Vice President Gore's standing with high-tech businesses important to his presidential campaign. Gore was "very heavily involved" in reaching the compromise, Sen. Christopher Dodd, D-Conn., said.

HEALTH CARE: Senate Republicans and Democrats agreed on terms for debating a patients bill of rights, clearing the way for passage of spending bills needed before the new fiscal year begins Oct. 1. Democrats had blocked the bills to force GOP leaders to allow a broader debate on the Democratic health-care plan. The compromise also will allow a vote this week to confirm Lawrence Summers as Treasury secretary.

POLITICS: Texas Gov. George W. Bush set a presidential fund-raising record, pulling in more than \$20 million during the first half of the year and topping the approximately \$18.5 million that Vice President Gore raised in the same period. Bush's fund-raising helps solidify his front-runner status in the Republican contest. Gore's only challenger, former senator Bill Bradley of New Jersey, collected about \$11 million, aides said. They said nearly \$7 million of that was raised in the past three months, compared with about \$9 million for Gore.

HACKERS STRIKE AGAIN: Computer hackers vandalized the National Oceanic and Atmospheric Administration's Internet site for its Storm Prediction Center in Norman, Okla., preventing public safety officials and others from checking the daily forecast for dangerous thunderstorms and tornadoes. Monday, hackers defaced the U.S. Army's main Internet site.

PARTING SHOT: Outgoing foreign aid chief J. Brian Atwood criticized the nation's international affairs budget as "a joke" and warned that the growing gap between the haves and have-nots threatens democracy. "What will it take to wake up our political leaders?" Atwood asked. "More failed states? More wars?" He said the ratio of "rich to poor" is about 65-to-1, meaning that for every \$65 earned in industrial countries, \$1 is earned in poor ones.

MILESTONES: Sen. Tim Hutchinson, R-Ark., is ending his 29-year marriage to his wife, Donna. He is a Southern Baptist minister who has said one of the nation's biggest problems is the breakdown of families.

► Rep. Helen Chenoweth, R-Idaho, a strong opponent of federal control of Western lands, is marrying Wayne Hage, a Nevada rancher and property rights activist. She has been divorced since 1973.

ALSO . . .

► **'SIGNIFICANT BURDEN':** CIA Director George Tenet said his agency and others in the intelligence community "bear a significant burden" for the mistaken targeting of the Chinese Embassy in Belgrade during the U.S. bombing of Yugoslavia. Tenet said the CIA makes the right decision only about 75% of the time.

► **VETERANS BENEFITS:** The House passed legislation that would give veterans a cost-of-living increase for service-connected disability payments, enhance housing and health-care benefits and provide financial help and advice to veterans who want to start a small business.

► **COMMUTER TAX:** The House passed legislation that would prohibit states from taxing the income of non-residents who work in the state at a higher rate than those who live in the state.

► **GAY AMBASSADOR:** San Francisco philanthropist James Hormel was sworn in as ambassador to Luxembourg, becoming the first openly gay U.S. ambassador. Hormel, heir to the meat company fortune, was appointed by President Clinton in a way that got around the Senate, where conservatives blocked a vote for two years.

Written by Paul Leavitt with staff and wire reports

TARGETING GUNS *Exporters to the U.S.*

Selling in a Land Of Opportunity

Foreign Firms Find a Big Market

By SHARON WALSH
Washington Post Staff Writer



As increasingly restrictive gun laws are enacted in major industrialized countries, gun-makers around the globe are flocking to the biggest and least regulated gun market in the world—the United States.

At least a dozen entities with familiar names in the United States, from historic Smith & Wesson and Winchester to Beretta and Glock, are owned by foreign companies, many of which are legally constrained from selling in their own countries many of the guns they produce. But as countries overseas increasingly have cracked down on gun sales at home, they have not passed similar laws regarding exports.

Just more than half of the 1.7 million handguns made or imported in the United States came from foreign companies or were made by their subsidiaries, according to 1997 figures from individual companies and the Bureau of Alcohol, Tobacco and Firearms.

Gun industry officials say they are simply selling their products in the best possible market.

"Companies invest where there are markets, and the U.S. is one of the few places in the world where gun ownership proliferates," said Wendy Cukier, a professor of business and justice studies at Ryerson Polytechnic University in Toronto who has written about differences in international gun laws. "That doesn't change the fact that Americans decide the level of gun ownership they'll tolerate."

Jeff Reh, Beretta U.S.A. Corp.'s general counsel, said the U.S. subsidiary is responsible only for marketing guns here. "It's not hypocritical for a company to obey the laws of the country it sells in," he said of the differences in gun laws in the United States and Italy. "It doesn't mean the company agrees the law is logical. It just means it's acting as a good corporate citizen."

"Some countries choose to have stricter gun laws. . . . We think that's unfortunate," said Travis Hall, public relations manager for Browning and

U.S. Repeating Arms Co., which owns the license to make Winchester firearms. Browning and Winchester are sister companies owned by Fabrique Nationale Group, an entity of the Belgian government. Many of their guns are made in Japan, where it is virtually impossible for a private citizen to own a gun.

Beretta U.S.A., with U.S. headquarters in Accokeek, Md., is a subsidiary of the Italian gun company P. Beretta S.p.A. Glock Inc., one of the biggest providers of guns to U.S. police departments, is an offshoot of an Austrian company. SIGArms Inc., an importer of handguns in New Hampshire, is a division of Swiss

Industrial Group, which imports from Switzerland and Germany. Each of those countries has more restrictive gun laws than the United States.

"One of the things that isn't understood about the gun business in this country is the extent of foreign ownership and importing of foreign-made guns," said Tom Diaz, of the Violence Policy Center, a pro gun-control group. "When people talk about guns in America, they tend to talk about patriotism and try to wrap it in the American flag."

According to a recent United Nations study on firearms regulation, 29 countries in the past five years tightened rules on the civilian ownership of firearms. Gun manufacturers and other experts say that as tougher gun laws have been enacted overseas, the United States has become even more important as a gun market.

"The biggest market [for guns] is in the U.S.," said Ken Jorgenson, general counsel of Smith & Wesson, the largest maker of handguns in the United States and a subsidiary of a British conglomerate. Two years ago, after a 1996 elementary-school massacre in Scotland, the British government outlawed the sale of all handguns and ordered the surrender of all existing handguns.

With virtually all gun manufacturers privately held, it is difficult to assemble a complete picture of the profits, revenues or even market share in the global gun market. Only one U.S. gun manufacturer—Sturm, Ruger & Co.—is publicly owned and thus discloses financial information, while many foreign-owned companies are part of big corporations that do not break out financial information about their subsidiaries. The U.S. government keeps records only of how many guns each country exports, not how many guns are exported by a particular company, and other governments provide even less information. The Commerce Department, in fact, reports higher gun imports than the ATF.

"Most governments don't make their figures available," said Kate Joseph, an analyst for the British American Security Information Council. "Private companies don't make their figures available. So it's virtually impossible to get a clear picture of it."

In some cases, foreign gun companies have set up plants in the United States specifically so they can make guns here that they couldn't import. Congress has set higher standards for guns that are imported than for guns made in this country.

For example, Taurus International Manufacturing Inc., an underling of Brazil's largest gunmaker, produces guns in Miami and also imports them. Brazilian companies export about 90 percent of the guns made in that country, making it the second-largest handgun exporter to the United States. In 1982, Taurus opened a plant in Miami that makes tens of thousands of guns and is one of the biggest gun factories in the country. It sells the majority of those guns in the United States.

Taurus, maker of such guns as the Raging Bull 454 Casull double-action revolver, is one of the largest makers of firearms in the world. It began shipping handguns to the United States in 1968, not long after the Brazilian government passed legislation that would restrict its sales there, particularly of 9mm semiautomatic pistols, according to an account at the time by the publication *Guns & Ammo*.

Gun laws may get even stronger in Brazil. The state of Rio de Janeiro recently passed one of the

toughest gun laws in the world, and Brazilian lawmakers are debating a similar law for the whole country.

Industry officials note that foreign buyers have helped bring needed financing and stability to some of the most venerated U.S. gun manufacturers, notably Smith & Wesson, a formerly family-owned business founded by Horace Smith and Daniel B. Wesson in the 1850s.

"A lot of gun owners were very upset that this icon of an American company was sold to the British," Jorgenson said. "But it was probably the best thing that ever happened to this company. We might not still be here if it hadn't happened."

Tomkins PLC, a British diversified manufacturer of prosaic but profitable products ranging from lawn mowers to baked goods and windshield wipers, bought Smith & Wesson in 1987. At the time the gunmaker's manufacturing equipment could have been a turn-of-the-century museum exhibit. Tomkins later poured more than \$60 million into updating it.

Glock of Austria assembles about 200,000 handguns a year from Austrian-made parts at a plant near Atlanta. Austria is also the No. 1 exporter of guns to the United States, shipping more than 170,000 guns in 1998, according to the Customs Service. Virtually all of those guns were Glocks, since there is no other major Austrian exporter of guns. In Austria, citizens must be 21 to own a handgun, must have a license and can buy a maximum of two handguns per person.

Beretta U.S.A. is a subsidiary of the oldest gun company in the world, founded in Italy in the 14th century. Like other European countries, Italy requires hunters to

show membership in a hunting club in which they have been trained before they get a license for a rifle. For a handgun, individuals must prove they genuinely need the gun for self-defense.

Others note that the countries that produce these guns like to point out that the United States has far more gun crimes and deaths than they do.

"Europeans are so sanctimonious about their gun-control laws," said Jim Pasco, executive director of the Fraternal Order of Police and a former ATF official. "But their shock at our rate of gun deaths doesn't keep them from making guns. . . . It's ironic that the money goes back to those countries."

The Washington Post

MONDAY, JUNE 28, 1999

IN THE LOOP

Al Kamen

Freeh Honors What Reno Disregards

Former federal prosecutor **Charles LaBella**, last seen talking to **Ted Koppel** about how Attorney General **Janet Reno** and the Justice Department deep-sixed his report concluding that a special prosecutor be named to investigate illegal fund-raising in the Clinton '96 campaign and then passed him over for U.S. attorney in San Diego, is coming back to Washington.

LaBella is said to be returning to receive a high FBI award—apparently for his fund-raising investigation—that will be presented to him at the bureau on July 14, Bastille Day, by his pal, the director himself, **Louis J. Freeh**. Freeh, it may be recalled, has been warring with Reno on this and other matters. He agreed with LaBella that Reno should refer the investigation to an independent counsel.

Will Reno drop by to say a few words? Don't count on it.

Helms: No Benign Neglect on Tribunal

Speaking of independent counsels, Senate Foreign Relations Committee Chairman **Jesse Helms** (R-N.C.) relied on some colorful words last week to let U.N. ambassadorial nominee **Richard C. Holbrooke** know precisely how he felt about the Rome Treaty, which would set up a permanent international criminal court.

"Now let me be clear," Helms told Holbrooke. "I am not opposed to the ad hoc war crimes tribunals created by and for the Security Council. . . . But the Rome Treaty. No, sir, that is irreparably damaged. A permanent tribunal such as this, where an independent prosecutor is given almost unlimited powers and where the United States has no veto power to stop a politicized prosecution of American servicemen or other officials, is quite flat out unacceptable."

Helms said he hoped that Holbrooke, if he gets confirmed, would oppose that court. "Some of the court's advocates have suggested that we adopt a policy of benign neglect" toward it, Helms said. "Not on your sweet patooti."

Got that?

Fish Appointment Fries Snowe

When Commerce Secretary **William Daley** selected a New Hampshire fisherman to an at-large seat on the New England Fishery Management Council, Sen. **Olympia J. Snowe** (R-Maine) smelled something, well, fishy.

The decision to name **Anthony Fernandez** was a "slap in the face of Maine fishermen and women," Snowe said in a statement, and a "shocking and unfair departure from Maine's historic representation on the council that politicizes the process."

"I guess Maine needs to hold an earlier primary," Snowe said, referring to New Hampshire's first-in-the-nation presidential primary. The council traditionally has five

members from Massachusetts, four from Maine, three from Rhode Island and two from New Hampshire. Fernandez's appointment would put the Granite State with its measly "11-mile, \$13 million fishery, on a par with Maine's 3,500-mile, \$273.3 million fishing industry." "Not fair," Snowe said, demanding the move be reversed.

After all, where does Daley think he is, back in Chicago? "It's not a political process, it is a fair process that has finally allowed New Hampshire to get for the first time in 23 years, an at-large seat," said Commerce spokeswoman **Maria Tildon**.

Besides, Fernandez fishes in New Hampshire, she said, but he lives in Maine. So did he vote for Snowe?

Hunting for New DEA Chief

The administration is looking for a replacement for outgoing Drug Enforcement Administration chief **Thomas Constantine**, called "Trooper One" by detractors—a reference to his days as head of the New York state police. One name being mentioned is **Thomas Umberg**, a former federal prosecutor in Los Angeles and Army reserve lieutenant colonel who's now deputy director of supply reduction at the Office of National Drug Control Policy.

Moves at the National Security Council

Air Force Col. **P.J. Crowley**, now director of public affairs at the National Security Council, is retiring from active duty and moving to the Pentagon to take a top civilian job as principal deputy to Assistant Secretary **Kenneth Bacon**. That will leave only one colonel in the family, Crowley's wife, Air Force Col. **Paula E. Kougeas**, who handles legislative affairs for the Pentagon's National Guard Bureau.

Also at the NSC, planning director **Nicole Elkon** is moving to New York to be vice president for communications at Merrill Lynch. NSC executive secretary **Glyn Davies** gets a huge plum, moving to London to be No. 2 at the Court of St. James.

In the White House press office, director of pool operations **Michael Teague** is returning home to Arkansas to run the press operation for Attorney General **Mark Pryor**.

Low Note for the Supremes

Historical footnote of the month. The Supreme Court last week ended its term on June 23, the earliest close since the same day in 1969, Chief Justice **Earl Warren**'s last year. And the paltry 75 signed opinions the justices issued this term—about half the number cranked out per year in the 1970s and 1980s—equaled the low output of the '95 term, according to court records.

Do they have their sights on matching the 1953 term, when there were but 65 written opinions?

The Washington Post

MONDAY, JUNE 28, 1999

How a Gun Company Tries to Propel Itself Into the Computer Age

Colt's 'Safety' Chip Bonds A Firearm and Its User; That Scares the Industry

Prototype's Lingerin Kinks

By PAUL M. BARRETT
And VANESSA O'CONNELL

Staff Reporters of THE WALL STREET JOURNAL

WEST HARTFORD, Conn. — Steven M. Sliwa grips a black semiautomatic pistol—a prototype of his company's controversial "smart gun." Colt's Manufacturing Co. has spent six years and millions of dollars to develop this pistol, the chief executive explains.

The Colt Z-40 — a computer microchip embedded in its handle—is supposed to fire only when held by someone wearing a wristband that emits a coded radio signal. His wristlet in place, Mr. Sliwa pulls the trigger. Nothing.

He tries again. It doesn't budge. "For a while it worked fine," he says.

This is the prospective wonder weapon that is roiling the firearm business.



Steven M. Sliwa

Much about the evolution of the smart gun is strange — not least, its performance at a carefully choreographed demonstration earlier this week. Promoted since the mid-1980s by a gun-control crusader, the notion of a high-tech gun lock was roundly rejected by the industry and some Second Amendment enthusiasts. But in 1994, a New York financier, Donald Zilkha, rescued an ailing Colt's and decided the smart gun could propel an essentially 19th-century operation into the computer age.

Colt's pursuit of the ambitious smart-gun project, however, turned the company into a pariah within its industry and made it the target of a boycott last year that cost Colt's millions in sales.

Almost all guns have safety components, such as a manual latch that prevents firing, yet these features are easily bypassed by children or thieves. Basic padlocks or combination locks have been on the market for years. But in theory, smart technology would incorporate what amounts to a lock into the actual design of the gun, offering an easier, personalized — and therefore more secure — alternative to the low-tech devices.

Still nowhere close to being marketed, the smart gun has become critical ammunition in the legal assault against guns. In a growing wave of lawsuits against firearm makers, nine municipalities around the country are alleging that the industry's failure to offer a smart gun amounts to negligent disregard in shootings by children and criminals.

Just last week, lawyers for four of the cities — Atlanta, Cincinnati, Cleveland and New Orleans — demanded that the industry set aside 1% of its gross revenue for smart-gun development as one of the conditions for settling the litigation.

At Colt's headquarters in West Hartford, Dr. Sliwa, a 44-year-old former NASA engineer, apologetically explains that the failed demonstration is a result of the prototype pistol's overheating, after having been test-fired about 150 times. After the company's chief engineer whisks the Z-40 away for a 15-minute tuneup, it functions as promised.



Donald Zilkha

Once the kinks are worked out, Dr. Sliwa predicts, the smart gun will be "a big contribution to society and a good business as well."

The idea that gun makers can — and should — produce weapons that operate only for authorized users is the brainchild of a former plaintiffs' lawyer who today is a leader in the antigun crusade. After years fighting manufacturers in court for after-the-fact damages, Stephen P. Teret decided in the early 1980s to explore using litigation to prevent injuries—for example, by suing car makers to pressure them to install air bags. He refocused on guns in 1983, after the 22-month-old son of friends was shot in a caretaker's home by a four-year-old who found a gun in a bedside dresser. (In 1995, 181 children under the age of 15 were killed in unintentional shootings, according to the most recent compilation by the National Safety Council.)

At the time, the gun-control movement was just getting started, and most activists were pushing to regulate the sale and possession of guns. Mr. Teret, director of the Johns Hopkins University Center for Gun Policy and Research in Baltimore, emphasized regulating the manufacture of guns. "Why in the world do we make a gun that a four-year-old can operate?" he asks. "And why is it that we are not regulating guns for safety?" (Congress has exempted firearms from the main federal consumer-safety law.)

Mr. Teret lectured on gun-related injury

Please Turn to Page A8, Column 1

Continued From First Page

ries and tried to get lawyers and legislators interested in forcing gun makers to use automated devices as the most fail-safe way to "childproof" or "personalize" guns. But the problem was, he lacked proof such a gun could be made. In 1992, he attracted some attention by having Johns Hopkins engineering students fabricate what he says was a personalized gun from an ordinary revolver and off-the-shelf electronic supplies worth less than \$2,000. "It wasn't pretty—it was a gun with wires hanging out of it—but it demonstrated that the technology was there," recalls Mr. Teret, 54 years old.

A chance meeting on an airplane a year later launched an unlikely series of events that ultimately resulted in Mr. Teret's idea being embraced at Colt's.

Returning from Los Angeles to Baltimore, he happened to sit next to Andrea Camp, an aide to Rep. Patricia Schroeder, who was in the market for ways to convert Cold War military know-how into civilian products. As Mr. Teret sermonized about how personalized guns would be harmless in the hands of children and robbers, "a light of hope went off" in Ms. Camp's mind, she says. Why not use government dollars to spur the development of a safer gun with microchips?

Working the mysterious levers of the appropriation process, Ms. Schroeder, who has since retired from Congress, routed about \$650,000 from the 1994 Pentagon budget to the Justice Department's law-enforcement research arm, which, in turn, commissioned the military's Sandia National Laboratories in Albuquerque, N.M., to look into the possibility of personalized guns. The inquiry was framed as a response to the problem of police being shot when people grab their service guns. An average of about 12 such "takeaway" shootings result in deaths nationwide each year.

At first, firearm-industry leaders uniformly assailed the smart-gun concept. At a meeting of activists, industry representatives and federal bureaucrats in December 1994, Richard Feldman, then director of the American Shooting Sports Council, a gun trade group, attacked "the idea that this was some sort of panacea," he recalls. It would add hundreds of dollars to the \$400-to-\$600 price tag of a midrange handgun. And what happened if the tiny batteries powering the microchip failed, he wanted to know, or the firing of the gun jostled the delicate wiring? With antigun sentiment rising, gun makers also invoked the slippery-slope argument, fretting that the research would lead eventually to a ban on guns that weren't smart.

But outsiders who were taking over at Colt's saw the smart gun as a way to re-energize a company burdened by labor troubles, backward machinery and lack of innovation. Mr. Zilkha, who bought the company in the midst of bankruptcy-court proceedings, thought that the first truly new product in the gun industry could enable Colt's to crack the law-enforcement market and reach an untapped market of parents who otherwise feared having guns in their home. He hired Ronald Stewart, a former auto executive without any gun-industry loyalties, to run the company. Mr. Stewart later hired Smart:Links Corp., a Berkeley, Calif., microchip designer, to fashion the electronic innards of the new product.

Early reports from Sandia Labs encouraged Colt's to focus on radio-frequency technology—similar to that used in anti-

shoplifting sensors in clothing stores—to confirm that the person holding a gun is authorized to use it. When Rep. Schroeder helped engineer a \$500,000 federal grant to accelerate the research, Colt's was the only company to step forward.

By the time Rep. Schroeder held a press conference in September 1996 to announce progress on the smart gun, Colt's already had a prototype, which a senior company engineer held aloft for photographers. Also in attendance was Mr. Teret, the gun-design reformer. Although a cautious 160-page report from Sandia Labs concluded that a workable smart gun was years away, Mr. Teret hailed Colt's test version and called for states to pass legislation requiring that all guns include new personalization technology.

The tableau left a lasting impression on the gun world. "Here was Colt's getting money from the government and standing with Schroeder, and the antigunners," recalls Richard Miller, head of the Coalition of New Jersey Sportsmen, a local affiliate of the National Rifle Association. "We saw the smart gun as a step toward a ban, and Colt's was part of it." In fact, New Jersey was one of a handful of states that began considering legislation to require personalized guns. None of the bills have been enacted, but many gun owners suspected that Colt's was pushing them behind the scenes—a charge the company denies.

Mr. Stewart provoked further hostility in December 1997, when the trade magazine *American Firearms Industry* published his editorial urging other manufacturers to drop their opposition to personalized firearms and to accept national registration of gun owners, a step vehemently resisted by the formidable NRA, which represents gun owners and has nearly three million members.

Mr. Stewart didn't return repeated telephone messages, but Colt's No. 2 executive at the time, Marc A. Fontaine, says that the company never backed a government mandate of personalized guns. He says some rivals and gun owners misinterpreted Mr. Stewart's call for "using technology to get over the problems we have with children and guns. . . . A lot of people think they are safe with a [mechanical] gun lock. But most gun locks can be defeated by a six-year-old with a screwdriver."

The growing ranks of Colt's detractors took action. At the NRA's annual convention in Philadelphia last June, the New Jersey gun owners' group distributed fliers calling for a Colt's boycott to protest the smart gun. Calling the newfangled weapon "a deadly product" that could malfunction in the face of armed intruders, the group's charge that Colt's management was "detrimental to American-style freedoms and liberties" got wide circulation on the Internet.

Gun owners responded by clogging the company's phone lines. Gun dealers as far away as the West Coast stopped ordering Colt's merchandise. Bob Kahn, who owns two dealerships and a wholesale gun business in California, says he stopped carrying Colt's products last year and now will order them only if customers insist. The smart gun "isn't about safety," he says. "They want to disarm America."

Colt's distributed statements rebutting all of the allegations, and in response to a threatened defamation lawsuit, the New Jersey gun owners' group retracted its attack and apologized. But the boycott and legal threat left many owners and dealers bitter. Looking for evidence that despite its

denials, Colt's was pushing for mandatory smart-gun laws, they were incensed that Mr. Stewart openly declared that he wasn't an NRA member and that Mr. Zilkha had made political-campaign contributions to New York Sen. Charles Schumer, a leading gun-control advocate. The owners' group later acknowledged that the contributions were relatively small and that the financier had also given money to gun-friendly Republicans such as Newt Gingrich, Bob Dole and George Bush.

But the damage had been done. Doug Kiesler, owner of Kiesler's Wholesale in Jeffersonville, Ind., one of Colt's biggest customers, says his sales of Colt's products to dealers fell by about \$1.5 million in 1998, a 20% decline. "The inventory built up big time," he says. In the wake of all this, Mr. Stewart resigned last fall, a move he described at the time as reflecting his satisfaction that the company had stabilized, but which many others in the industry saw as evidence of difficulties.

Responding to questions asked of Mr. Zilkha, a spokesman says that Mr. Stewart had a two-year contract and left when it expired. "He did a very good job" and remains a consultant to the company, the spokesman adds. "That beating he took is unfortunate, but the good news is that he called attention in the industry to the issue" of the smart gun.

On top of these financial and public-relations hits, Colt's, along with its competitors, faced the launch of lawsuits last fall by New Orleans and other cities that allege that gun makers generally have failed to sell guns with available personalization technology. Handgun Control Inc., the group that helped devise the litigation, had for years been trying to find a way to hold gun companies liable on this basis for shootings, especially those involving children. Specifically, Handgun Control lawyers are prospecting for evidence that despite its research, Colt's has allowed us-

able technology to gather dust.

Jonathan Lowy, an attorney with the gun-control group, suggests that the city lawsuits could be aided by testimony from William Phillips, chief executive of Smart:Links, the tiny Berkeley firm that Colt's hired to design smart-gun electronics. Mr. Phillips confirms that in his view, Colt's interest in the project diminished noticeably last year after it came under attack and Mr. Stewart resigned. "I have a [smart] gun right here in my hands that is workable and ready to go to market," Mr. Phillips says. Openly eager for his firm to gain attention from the smart gun's introduction, he adds, "We didn't intend for this technology to be put on the shelf."

When told of Dr. Sliwa's unimpressive demonstration this week, Mr. Phillips says that the balky prototype at company headquarters is already outdated and has a limited "field" in which it can pick up signals from the user's wristlet. The latest version, which Mr. Phillips says he has in Berkeley, has a far broader field. In any event, he adds, these "issues of range and directionality aren't essential" and will be smoothed out.

In response to claims that the smart gun is ready, Mr. Sliwa says, "There are a lot of people with wishful thinking, hoping for the fact that personalized guns are here. But so far, nobody"—including Colt's—"has been able to demonstrate it." The Colt's spokesman adds that the company has faith in Smart:Links and is optimistic that its microelectronics eventually will be marketable.

Colt's already is lobbying for a big chunk of the millions of dollars that Congress this year is expected to appropriate for additional smart gun R&D. And Mr. Sliwa hints that the company is investigating approaches other than the "wristband gun," and may even be leaning toward the other models.

While the wristband might save the life

of a police officer struggling with a violent thug, a homeowner is likely to store the wristband close to the gun, where children may find it. "We won't put all of our eggs in one basket. We have solutions in mind for the tougher problem" of making a child-proof smart gun, Mr. Sliwa adds.

Other companies think they do, too, especially now that more federal money is on the horizon. The U.S. unit of Austria's Glock GmbH, which previously scorned the idea of putting microelectronics in its pistols, has lately signaled interest in competing with Colt's for any additional federal money that becomes available.

In North Haven, Conn., O.F. Mossberg & Sons quietly has produced a test version of a shotgun activated by a magnetic ring. An inventor working with Mossberg has even filed a claim against Colt's with the U.S. Patent and Trademark Office, contending it stole the "smart gun" brand name. Colt's denies the allegation.

Smith & Wesson Corp. of Springfield, Mass., a unit of Britain's Tomkins PLC, has been working even more furtively on a weapon that uses fingerprint-recognition technology to identify the proper user, according to industry officials.

The stirring goes beyond possible government grants. Pointing to research done by Mr. Teret, the gun-control advocate and smart-gun granddaddy, Dr. Sliwa says one-third of people who don't own guns tell interviewers in surveys that they would buy a smart gun if it existed. "Suddenly you have an extra 60 million people" in the gun market, he says. "That group is bigger than the number of people out there who currently own guns."

—Philip Connors
contributed to this article.

Gun Firms Discuss Possible Settlement

Early Talks With Lawyer For New Orleans Seen As Compromise Signal

By PAUL M. BARRETT

Staff Reporter of THE WALL STREET JOURNAL

Gun-industry representatives and a leading lawyer representing New Orleans in its lawsuit against the industry have held at least one preliminary discussion aimed at arranging a possible settlement of a growing wave of handgun litigation.

People familiar with the matter emphasized that the conversation was highly tentative and that it involved only finding a means for further talks, rather than substantive terms under which suits against gun companies could be resolved.

But the development is nevertheless startling at this early stage of the legal fight. Although numerous cities are considering lawsuits, only five municipalities so far have sued to recover public costs related to gun violence. New Orleans was the first, filing its suit in October.

Preliminary as it is, the exchange suggests that both sides see potential advantages to avoiding a prolonged and expensive series of lawsuits. A compromise could include greater government regulation of the gun business.

On the plaintiffs' side, a willingness to talk at such an early juncture could signal a recognition that, unlike the deep-pock-

eted tobacco industry, gun makers lack the resources to pay multiple massive damage awards or a huge cash settlements. In addition, some cities, including New Orleans and Atlanta, could see their suits impeded by state laws banning such suits against the gun industry. Georgia recently enacted such a law and similar measures are being pushed in Louisiana and Florida.

On the industry side, some officials believe that the unpredictability of fighting lawsuits before juries around the country creates too much risk and that regardless of the legal niceties, some form of compromise will eventually be necessary. The verdict two weeks ago in Brooklyn, N.Y., in a suit involving seven individual shooting victims demonstrated that risk. The jurors in that case for the first time ever found that 15 of 25 manufacturers had distributed handguns negligently and awarded a total of about \$520,000 to one plaintiff.

The preliminary talks were between John Coale, a prominent plaintiffs' lawyer in Washington who is a senior member of the team representing New Orleans, and the American Shooting Sports Council, an industry trade group in Atlanta. That legal team, which is headed by Wendell Gauthier of New Orleans, is talking with five or six other cities about representing them in handgun lawsuits, according to lawyers familiar with the situation. Mr. Coale was heavily involved in smokers' litigation against cigarette manufacturers and pushed for a sweeping settlement that ultimately failed. The industry wound up settling with the states, agreeing to payments totaling \$246 billion over 25 years.

Already, the contact has caused sharp division within gun-manufacturing circles, according to people familiar with the situation. Some outside lawyers representing gun companies are said to disapprove of any contacts with the opposition at this point. The industry itself is made up of relatively small companies with a tendency toward fractiousness.

Little known until recently, the American Shooting Sports Council has been lobbying its constituency to take a unified approach to the threat from cities' lawsuits. There has been some resistance to that approach from individual manufacturers and outside lawyers persuaded that the industry can successfully fight the suits one-by-one. Aside from the Brooklyn case, gun companies historically have defeated almost all lawsuits brought by individuals who allege that guns are too dangerous.

Separate from the contact with Mr. Coale, the trade group for more than a year has been quietly talking to Philadelphia Mayor Edward Rendell about his ideas for greater regulation of the industry. Those talks haven't produced concrete results, but Philadelphia, the first city to consider suing the industry, so far hasn't filed its action.

Mr. Rendell has urged the industry to accept a limitation on consumers of one gun purchase a month, restrictions on advertising and greater use of safety devices that prevent anyone except an authorized user from pulling a handgun's trigger. New Orleans and three other cities are alleging that manufacturers should have to pay large damages for having failed to include such safety devices in their products.

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PHOTOCOPY
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It's War

Gun Industry Signals Harder Line, Firing Head of Trade Group

Rearguard Coup Clears Way For Taking Tough Stand Against Siege of Lawsuits

'The Long Knives Are Out'

By PAUL M. BARRETT
And VANESSA O'CONNELL

Staff Reporters of THE WALL STREET JOURNAL

Hard-liners in the gun industry have just issued a battle cry.

Facing a new wave of litigation, more-militant elements within the industry have orchestrated the ouster of trade-association executive Richard Feldman, whom they viewed as too inclined toward compromise and too quick to grandstand in the media.

Mr. Feldman's demise represents the triumph of the industry's more rigid factions and advocacy groups at a moment when it appeared that there might be serious consideration given to finding alternatives to a prolonged court fight with cities seeking to recover the public costs of gun violence. And it points to a period of all-out defense against the growing wave of municipal lawsuits, combined with a legislative drive to pass state laws to block such litigation altogether.

On Saturday, representatives of the trade group headed by Mr. Feldman, the American Shooting Sports Council, announced at a private industry gathering in Phoenix that he would turn in his resignation as soon as this week.

The abrupt ouster dooms quiet efforts by Mr. Feldman to open lines of communication to representatives of cities such as New Orleans, which have sued, and those such as Philadelphia, which are considering doing so. Several major gun and ammunition manufacturers had made Mr. Feldman's ouster a priority, but his fate was sealed when the politically powerful National Rifle Association decided last week to get him fired, according to some people familiar with the situation.

"The NRA has been gunning for him, and last week's headlines gave them the ammunition to get it done," said a senior industry official, referring to articles in The Wall Street Journal about preliminary contacts between Mr. Feldman's organization and an attorney for New Orleans. Officials with major gun manufacturers, including Colt's Manufacturing Co. and Sturm, Ruger & Co., which believe they can beat the city suits one-by-one in court, also backed Mr. Feldman's ouster.

mend their traditionally fractious ways, hire more high-powered lawyers who might be better equipped to forge a national settlement, and develop a more sophisticated public-relations pitch. But many of his clients, who have successfully fended off less-threatening lawsuits on their own for years, aren't yet convinced that they need a new strategy. Some of the leading defense litigators, who have successfully represented the industry likewise have urged that Mr. Feldman be stifled.

In December, in fact, rumors began swirling that Mr. Feldman was in danger of being fired for his outspokenness, and he acknowledged at the time that "the long knives are out."

Yesterday, some industry executives said that no official steps had been taken.

"To get rid of him would take some action from the board, and I have received no notices of any impending meetings," said Michael Saporito, senior vice president of RSR Group, a big gun distributor in Winter Park, Fla., and a member of the American Shooting Sports Council's board of directors. "This industry is rife with scuttlebutt."



Richard Feldman

But Mr. Feldman himself isn't denying the scuttlebutt. "I'm still executive director" of the trade group, but "that is subject to change within the next 24 hours to 48 hours," he said from his Atlanta headquarters.

James Baker, the NRA's chief lobbyist and a leading anti-Feldman activist, didn't return phone calls seeking comment.

Ironically, Mr. Feldman got the hook at an industry gathering devoted to fostering the sort of solidarity he had long advocated. The NRA, which represents gun owners, has dominated the gun debate for decades, but its reputation for unswerving zealotry caused worry among manufacturers and suppliers in the late 1980s. In 1989, the industry formed a separate trade group, the American Shooting Sports Council, to represent its commercial and political interests. Two years later, Mr. Feldman, a former NRA staffer and veteran Republican political operative, was hired as the group's executive director.

His stance has angered the NRA before. For example, Mr. Feldman's opposition to the 1993 Brady gun-control law, which introduced a five-day waiting period and, more recently, "instant checks" of gun buyers' backgrounds, was less absolute than the NRA's.

In October 1997, he brokered a deal with the Clinton administration under which most major handgun makers agreed to include child-safety locks with their prod-

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PHOTOCOPY
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Gun Manufacturers Signal a Harder Line

Continued From First Page

ucts. The NRA blasted participants in the deal for being "conned into the notion of making your business 'acceptable' to a wider non-gun-owning audience." Mr. Feldman's compromise, nevertheless, ended efforts to legislate more aggressive safety measures at that time.

The fact that Mr. Feldman, 47 years old, was increasingly portrayed in the media as a more moderate spokesman for the industry also angered senior officials of the NRA and of some gun manufacturers, including Sturm Ruger and Colt's. But Mr. Feldman, who jokes about his friendly relationship with the press and occasionally refers disparagingly to industry "dinosaurs," appeared to thrive on the controversy.

Talking Quietly

Once pro-gun-control himself, Mr. Feldman has said that he began shifting his views while serving as a police officer in Cambridge, Mass., where he saw law-abiding store keepers who wanted gun licenses for self-protection. Today, he owns more than 100 firearms himself but says he rarely goes hunting or target shooting.

His foes quickly grew impatient with Mr. Feldman's response to the municipal litigation. He has been talking quietly for more than a year with Philadelphia Mayor Edward Rendell, who first raised the prospect of a city lawsuit in 1997. The two have discussed Mr. Rendell's ideas for greater regulation of the industry, including advertising restrictions, mandated

safety technology and limits on the number of guns a consumer may buy per month or year.

The talks haven't produced a compromise, but Philadelphia and a number of other cities that Mr. Rendell has said could coordinate their efforts still haven't sued the industry. Five municipalities have sued so far.

Mr. Feldman explored a number of ways that the industry might short-circuit litigation. In late January, he ran into John Coale, a lawyer for New Orleans, at a briefing on the gun litigation at the conservative Washington Legal Foundation. According to an interview with Mr. Feldman last week, that meeting prompted Mr. Coale to call and arrange a meeting with Robert Ricker, the American Shooting Sports Council's chief lobbyist in Washington.

At a half-hour meeting in mid-February between Messrs. Coale and Ricker, "the sum and substance was: Would we consider and be interested in having substantive discussion at some point in the future? The answer was yes," Mr. Feldman said last week.

Although Mr. Feldman had received approval for this foray from some of his board members, others in the industry and at the NRA exploded over what they saw as a signal of weakness. Of particular concern to the NRA, whose influence among gun buyers still commands tremendous industry respect, was the potential that any settlement deal would include new government controls on gun making or marketing.

"There will be no compromise" including such legislative restrictions, Mr. Baker, the top NRA lobbyist, said last week.

Exacerbating anxiety, last month a Brooklyn, N.Y., federal court jury—for the first time ever—found in a lawsuit filed on behalf of the families of seven shooting victims that 15 out of 25 gun manufacturers had distributed guns negligently. "That should have helped make [Mr. Feldman's] point that we need to have a more unified front, that more of the city suits were coming, that it would be tough to fight them one-by-one," said an industry official sympathetic to Mr. Feldman.

Instead, the Brooklyn verdict heightened tension and demands that Mr. Feldman depart.

Another Agenda

Industry representatives headed for Phoenix late last week for a meeting aimed at creating a new umbrella organization that would emphasize links to hunting and target shooting and administer a new joint industry fund for legislative and legal costs. Each company is expected to contribute 1% of its sales to the fund, which will be overseen by the Hunting & Shooting Sports Heritage Foundation.

But the NRA and certain gun-company representatives arrived in the Arizona desert with another agenda: Mr. Feldman's removal. In the days leading up to

the meeting, he had received some support from manufacturers that focus heavily on the law-enforcement market and therefore are more inclined to maintain good relations with municipal leaders, including the mayors of cities that have filed suit. These companies include Glock Inc. and Smith & Wesson Corp.

In a flurry of conference calls last week, however, it gradually became clear that companies urging a tougher line—encouraged by the NRA's Mr. Baker—wouldn't back off. Without consulting Mr. Feldman, members of his board decided to make a pre-emptive move.

Selecting as their spokesman Ray Oeltjen, an affable marketing vice president with Leupold & Stevens Inc. of Beaverton, Ore., which manufactures gun sights and other accoutrements, the American Shooting Sports Council board members announced to others at the Phoenix meeting Saturday that to avoid "counterproductive" feuding, Mr. Feldman would be asked to step down. Mr. Oeltjen told the gathering that Mr. Feldman, who wasn't at the meeting, had worked hard for the industry and that his removal caused great regret.

France's Alcatel Plans To Buy a California Internet-Gear Firm

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as other telecommunications-equipment companies are rushing to enter or expand in the field, and news of the acquisition is likely to boost the share prices of other Internet-gear makers. Analysts say Nortel, Telefon AB L.M. Ericsson of Sweden and Siemens AG of Germany may also be on the prowl for smaller Internet equipment makers.

Alcatel's fortunes sagged significantly in mid-September when the company shocked the market with a profit warning. Its stock was pummeled, but has since recovered slightly. Xylan's fortunes are so closely tied to Alcatel that its stock fell at the same time.

The latest move represents Alcatel's continuing foray into the U.S. market, which is its biggest, contributing about 20% of sales. It is a big change from a few years ago, when Alcatel sold most of its products in France.

Last summer, Alcatel surprised investors by acquiring DSC Communications, one of the biggest providers of telephone equipment to the Baby Bells, for about \$4 billion. Alcatel traditionally had been strong in supplying transmission equipment to long-distance operators, so the DSC acquisition helped it significantly broaden its footprint in the market. More recently, Alcatel acquired a small Spokane, Wash., Internet equipment maker called Packet Engines.

Agribusiness Probe Sought By 23 Farm-State Senators

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON—A bipartisan group of 23 farm-state senators asked President Clinton to order a broad antitrust examination of the growing market power of a few multinational corporations in meatpacking, flour milling and oilseed crushing. The trend toward concentrated agribusinesses, the lawmakers said, appears to be distorting the markets so that producers no longer can count on fair and competitive prices for their cattle, grain and other commodities.

Several agribusinesses are reporting "exceptional returns" or "record profits," while thousands of family farmers are going broke, the senators said in a letter to Mr. Clinton. "Commodity markets, particularly in livestock, have become tilted against the producer."

The group, led by Democrat Sen. Byron Dorgan of North Dakota and GOP Sen. Chuck Hagel of Nebraska, urged Mr. Clinton to assign the Justice Department, Federal Trade Commission, Agriculture Department and National Economic Council to the study.

Lawmakers are concerned about possible anticompetitive effects of Cargill Inc.'s plan to buy Continental Grain Co.'s global grain-handling business.

Pawn-Shop Chains Consider Halting Gun Sales Amid Stricter Regulations

By J.C. CONKLIN
And VANESSA O'CONNELL

Staff Reporters of THE WALL STREET JOURNAL

Three pawn-shop chains said they are considering halting all gun sales and pawns over the next couple of years in response to stricter regulations and increasing liability.

Among those weighing such a move is **Cash America International Inc.**, the nation's largest pawn chain. **EZ Corp.** and **U.S. Pawn Inc.**, meanwhile, have already limited their sales of handguns and are considering similar moves for long guns such as rifles and shotguns.

The shifting attitudes among some publicly held chains come on the heels of a U.S. Senate decision to keep a provision of the Brady Bill that requires background checks on gun pawns. Pawn-shop owners had been lobbying Congress to repeal the measure. Pawn shops and other gun retailers are also feeling the heat from a wave of lawsuits against the gun industry, as well

as public outcry over recent school shootings. Several pawn shops are named as defendants in some suits.

"With all the lawsuits being filed these days, any federally licensed gun dealer would be crazy not to look at its gun policy," said Mary Jackson, spokeswoman for **Cash America**, which has 450 stores.

Cash America is a defendant in a suit brought by the city of New Orleans against a group of gun makers and retailers. Ms. Jackson says **Cash America** has no comment because it hasn't yet been formally served with a complaint.

Though guns make up a relatively small percentage of these chains' revenue, the nation's many pawn shops are a visible part of the gun trade. They are best-known for selling used guns, but many also sell new firearms, especially inexpensive handguns.

A new two-year study, commissioned by the Federal Bureau of Alcohol, Tobacco and Firearms, found pawn shops are more likely than other licensed gun dealers to

sell a gun involved in a crime. The study, which hasn't been released, traced 133,362 guns involved in a crime back to their initial retail sale and found that pawn shops were the first retail sellers of about 21% of the guns. Altogether, though, pawn shops make up just 11% of gun dealers.

Pawn shops receive most of their gun revenue through pawns rather than sales. In pawns, a customer puts an item up as collateral for a short-term, high-interest loan. If the customer doesn't return for the item in 90 days, it becomes the property of the shop. The National Pawn Brokers Association estimates that between eight million and 10 million guns are in pawn in the U.S. at any given time.

U.S. Pawn, a small chain based in Westminster, Colo., said that less than 5% of its business comes from guns today, down from almost 15% five years ago. Six years ago, **U.S. Pawn** stopped selling handguns directly. It still sells shotguns and rifles and will pawn handguns; those that aren't picked up are sold to private dealers.

"The margins in guns aren't really good and we prefer to focus on other things—we're a family-oriented business," said Charles C. Van Gundy, **U.S.**

Pawn's president and chief executive officer. The company has 13 stores in Colorado and Wyoming.

EZ Corp., based in Austin, Texas, stopped selling and pawning handguns in its 330 stores six months ago, though it still sells and pawns long guns. "This isn't a legal decision; it's a true moral one," said Vincent Lambiase, **EZ** chairman and chief executive. Guns represented about 2% of the company's \$197.3 million in revenue last year, down from 5% five years ago.

News that **Cash America** is contemplating ending gun sales was reported in the *Dallas Morning News* earlier this week.

Separately, in a major case brought on behalf of relatives of gunshot victims, a federal judge in Brooklyn, N.Y., yesterday issued a ruling that left in place a February jury verdict that for the first time held three gun manufacturers liable for the criminal use of their products. The jury had imposed a total of about \$520,000 in damages against **Taurus International Manufacturing Inc.**, a unit of Brazil's **Forjas Taurus SA**; **Beretta USA Corp.**, a unit of Italy's **Beretta SpA**; and **American Arms Inc.** The three companies are expected to appeal.

Gunsmith's Creation Now Infamous

Maker of Rifle Used in Massacre Feels Pride, Pain

By SHARON WALSH
Washington Post Staff Writer

Tom Deeb knows both the pleasure and the pain of a gunmaker. The pleasure is in the work—designing and building something with his hands, having good employees, getting letters from folks who have enjoyed sports with his guns or even felt their lives were saved by one of them.

But lately, he says, pain has been the larger part of his livelihood. The 9mm Hi-Point carbine he designed was one of the guns in the arsenal of Eric Harris, 18, and Dylan Klebold, 17, who used them to kill classmates, a teacher and themselves in Littleton, Colo.

"It just broke my heart," said Deeb, 49, the founder of Hi-Point Firearms in Mansfield, Ohio, who has kids in high school.

The publicity may be unwanted, but it is proving profitable. Deeb's 9mm rifle is suddenly as scarce as black trench coats. Even before the shooting, Deeb had 6,000 back orders. Now, after CBS's "48 Hours" flashed a picture of the gun during a show devoted to the Littleton shooting, it's in even greater demand. Dealers complain that he isn't making his guns fast enough.

The tension between feeling pride in the weapons he makes—"a blast to shoot"—and the conflict he feels about making guns used in a rampage emerges frequently during a wide-ranging interview with Deeb over several hours. The gun is increasingly traced to crimes, federal statistics show, but Deeb says he makes guns for "the working guy."

"I'm not some unfeeling bastard who gets a kick out of watching people whack each other," he said. He said he designed the 9mm gun specifically so that high-capacity magazines will not work in it. With all his guns, he gives away a trigger lock he designed. And he's patented a device that keeps a loaded handgun

See GUNS, E4, Col. 1



Tom Deeb with the rifle he designed and builds. Demand for it has risen since the Colorado massacre.

E4 FRIDAY, APRIL 30, 1999 M1

BUSINESS

Pride of Rifle's Creator Now Tinged With Regret

GUNS, From E1

from going off if it's dropped.

"I like what I'm doing. I have fun with it," he said. But he added: "I sincerely feel worse about making guns than I ever have in my life. ... I've never been so ambivalent."

At the same time, Deeb said, the market for this gun "is real hot—it's on fire." Why? "Because I make one that's a blast to shoot. It's neat-looking. A light gun. Just weighs 5½ pounds. It's not high-capacity and never will be. It's quick to shoot, easy to shoot."

The stigma of his gun, he says, seems to be that it's cheap, retailing for \$169 to \$189.

The gun was traced for being at a crime scene or used in a crime 128 times in 1997, according to the federal Bureau of Alcohol, Tobacco and Firearms. And in a recent ATF crime trace study on guns confiscated from young people, the Hi-Point carbine was one of the top 10 guns in cities such as Atlanta, Detroit and Cleveland.

Dealer ads for the rifle, which features a pistol grip and pistol ammunition, call it "the hottest gun since the SKS." The SKS is a military-style weapon that was imported from China and sold cheaply in the United States. It is now illegal to import the SKS.

Hi-Point's a company that came out of nowhere on the crime trace list, said Kristen Rand, director of federal policy at the Violence Policy

Center, a gun-control group. The fact that a rifle shows up on the list, which is usually dominated by handguns, is significant, she said. The pistol grip allows marksmen to shoot from the hip rather than from the shoulder, like most rifles used for hunting and recreation.

Deeb made some money initially as the owner of several video stores, but making guns was his dream, he said.

Deeb started production in the early 1990s. In 1994, he decided that making pistols wasn't a very stable business. Besides, he didn't like the stigma of making cheap handguns. So he designed a new gun—the 9mm carbine, that is 16½ inches long, lightweight, quick to shoot and cheap. It could be used for shooting tin cans, known as "plinking," or to shoot the groundhogs that plague his farmer neighbors, he said.

Deeb still makes cheap handguns, though not as many as he did before he designed the 9mm. He's about 13,000 handguns behind in production.

"I make guns for the working guy," he said. "He ought to be able to have a gun to defend himself and take out and plink and shoot tin cans ... a decent gun without spending a fortune."

Still, he said, "some people should not have a gun. ... I'd be a liar if I didn't agree that handgun violence is a problem in this country."

Deeb's company is not one of the big five rifle makers—which include



Robert Kudika wipes down a finished Hi-Point rifle at the company's factory. The model was one of several guns used in the Littleton, Colo., massacre.

Sturn, Ruger & Co. and Remington Arms Co.—but is a financially healthy firm that is about eighth on the list of rifle makers, with production of 28,000 rifles last year, in addition to 27,000 pistols, he said. With 18 employees, the company had sales of between \$3 million and \$4 million and made a profit of a little over \$1 million.

A number of police agencies in the western part of the country use his 9mm rifle as a "trunk gun" in patrol cars. He donated about 50 of them to the sheriff's office in his own Richland County, halfway between Cleveland and Columbus.

The gun is an "excellent weapon for limited situations," said Richland County Sheriff James Stierhoff. Officers there have never had an occa-

sion to use the gun, but they undergo 20 hours of training with it every six months. Stierhoff said it is light and durable and officers would use it for a manhunt or hostage situation if it arose.

Deeb is a gun enthusiast himself. "I have some free time, a shooting range. ... My kids and I go out and shoot. It's a family thing for me."

He carries a gun to work in a holster each day and considers himself the security for his business—though, for safety's sake, the gun is unloaded and he carries the clip in another pocket.

"In all honesty, it bothers me that I sell guns," he said. "It scares me that people use them to commit crimes. ... I set out to win you over and I feel like I'm backsliding."

PHOTOCOPY
PRESERVATION

Weapons System

Gun Wholesalers Use Telemarketing to Move More Product to Shops

Teams Compete for Bonuses In Distribution Method That Is Drawing Criticism

The 'Diamond Girls' at Ellett

By VANESSA O'CONNELL

Staff Reporter of THE WALL STREET JOURNAL

CHAPIN, S.C. — In a seminar room above a warehouse here, the sappy '70s hit "Knock Three Times" is blaring, and dozens of women are banging on tables in time with the refrain.

A speaker on a podium points to a table piled high with red, pink and yellow rose bushes. As part of the day's "Spring Fever" promotion, she explains, each woman can win a rose bush for every sale of at least \$1,000. The crowd coos.

This isn't a Mary Kay rally. It is a morning meeting at Ellett Brothers Inc., one of the nation's biggest wholesale gun distributors. The prizes? They are designed to pump up Ellett's 80 telemarketers, giving them added incentive to prod gun dealers to buy more weapons.

Distributors like Ellett buy guns from manufacturers and resell them to dealers, performing a little-scrutinized but pivotal role in the \$2 billion gun industry. Together, the country's roughly 140 distributors supply nearly four million guns annually to more than 100,000 gun shops, pawn shops, sport stores and individuals licensed to sell guns to the public.

Ellett dominates the industry along with about a dozen rivals that have adopted its incentive-based telemarketing approach. Sales of guns and ammunition at Ellett totaled nearly \$75 million last year.

The 'Lethal Weapons'

The atmosphere in Ellett's phone center at times resembles a TV game show. Telemarketers are divided into teams and pitted against one another in competition for bonus awards. One team is called the "Determinators" because, as one saleswoman explains, they are "so determined" to close sales. Nearby sit members of the "Lethal Weapons," who have marked their territory with a black felt flag emblazoned with photos of Mel Gibson.

Drawings are held every 30 minutes for a chance to win a 20-second whirl in a glass money-blowing booth donated by ammunition maker Blount International Inc. It is filled with ones, fives, tens, twenties and lone \$50 and \$100 bills.

The sales strategy seems to work. "No single distributor can move as much merchandise as Ellett," says Robert Morrison, executive vice president at Taurus International Manufacturing Inc., a unit of Brazil's Forjas Taurus SA, a leading supplier of handguns to the U.S. "It is a force to be reckoned with."

Mr. Morrison recalls how the salesmen in a gun shop he once owned would "go rushing to the phone" to greet Ellett telemarketer Mary Jo whenever she rang. "We all liked to hear her voice."

Faulted by Critics

Lately, however, distributors like Ellett have begun to face allegations that they are indirectly responsible for gun violence because they fail to take steps to keep their products out of criminal hands. Like gun makers, they have been accused in lawsuits filed by shooting victims and the city of Chicago of flooding lax-regulation areas with guns that ultimately wind up in areas with tough regulations. They have also been faulted for not trying to identify—and cut off—dealers who repeatedly sell guns used in crimes. Distributors respond that they do all that is required by law.

As of last night, there was no indication telemarketing was involved in the sale of the guns used in the fatal shootings at a high school in Littleton, Colo., yesterday.

Ellett has been named in a series of civil suits filed in federal courts alleging negligence on the part of the distributors as a whole. E. Gordon Haesloop, Ellett's outside lawyer, says: "We are very confident the suits against Ellett will be dismissed."

Branching Out

A close look at Ellett offers a glimpse at how one of the most highly sophisticated distributors operates. The company, a former fishing-tackle distributor, added firearms in the 1950s. At the time, Ellett and other gun distributors employed travelling salesmen, limiting their reach. But Ellett stumbled into telemarketing in the late 1960s when one of its salesmen got sick, and a secretary started phoning his accounts. To expand his territory, Chilton Ellett Jr., the founder's son, created a telemarketing team, relying on lists of federally licensed dealers for prospects.

Most men in the area worked as farmers, so Mr. Ellett hired their wives and daughters. Mr. Ellett began promoting the "Chicks from Chapin" in brochures that featured photos of the women in mini-skirts. "A girl on the phone beats a man on the road," he would often say.

The notion survives today, though Ellett's catalogs show only the faces of the smiling sales staff, which includes two men. "Women come in without strong opinions about guns," says Joseph F. Murray Jr., Ellett's chief executive. "That makes them easier to teach and easier to train" than men, who tend to be "extreme hobbyists" more interested in the gun culture than in closing sales.

The saleswomen say they are loyal to Ellett in large part because Mr. Murray

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PHOTOCOPY
PRESERVATION

Gun Distributors Use Telemarketing to Move Goods

Continued From First Page

and his management team understand that working there is just a day job. "My immediate manager has told me my family comes first," says Kathy Havird, 42, a single mother of two sons. "If you haven't worked anyplace else, it is easy to take that for granted."

One of Ellett's top telemarketers is Dorothy McGee, a 42-year-old mother of two who owns a gun but rarely makes any use of it. She is one of six "diamond girls" whose sales last year exceeded \$2 million, and whose chairs are ergonomically designed and feature silver and gold diamond patterns on a blue background. Others who haven't done as well sit in less-expensive chairs in colors that range from green to gold.

Ms. McGee recently took her husband on a three-day cruise to the Florida Keys that she won for selling more Beretta U.S.A. guns than any other Ellett telemarketer over a three-month period. Blount, the ammunition maker, recently rewarded her with a weeklong trip for two to Beijing, plus \$1,000 in spending money, for selling the most CCI and Speer brand bullets in three months.

Daily Special

On a recent morning, Ms. McGee scans her customer binder and phones a Morley, Mich., gun shop she hasn't called in several days.

She touts the day's specials, including Chipmunk single-shot youth rifles, which usually sell for \$142.13, but are now \$130.95 and are "the cutest little guns, for beginners." When the owner doesn't bite, Ms. McGee moves on to her next call.

New hires go through eight weeks of gun training and two weeks of instruction on sales and self-motivation techniques. With gun sales of all types down sharply since 1994, for instance, Ellett has emphasized ways to deal with rejection and has taught its salespeople to always suggest "add ons," like holsters, before hanging up.

If dealers complain that Ellett's prices are higher than those of its competitors, Mr. Murray says the women often find it effective to respond: "It's just \$2.50 more. Don't you think I am worth it?"

Forrest Buckwald, the 48-year-old co-

owner of Buck's Gun Rack in Daytona Beach, Fla., says Ms. McGee's persistence works with him and his brother, who are "like your typical gun dealers, independent, cranky old men." Ms. McGee's daily calls, he says, often go something like this: "I want to tell you about the specials we have today," and my brother says, "No, I am not going to listen to this," and she says, "Now, yes you will."

Mr. Buckwald adds that he and his brother enjoy this "dance," partly because of Ms. McGee's "delightful country twang." They buy \$100,000 in merchandise from her each year.

In her 18 years at Ellett, Ms. McGee has met few dealers in person. She relies on her computer to tell her who runs the shop and what has been ordered before. Her screen also shows another crucial piece of information: a federal firearms license number and expiration date.

Like its competitors, Ellett complies with requests from the federal Bureau of Alcohol Tobacco and Firearms to help trace guns used in crimes, providing the names of dealers who bought firearms with specific serial numbers. Then, it destroys the paperwork, because "ATF has never asked us to keep it. We would keep the trace requests if there were a reason to," Mr. Murray says.

Ellett doesn't use the information to try to monitor dealers because that's the government's job, Mr. Murray says. He adds that guns wind up in criminal hands even when dealers do nothing wrong. Moreover, he says, a trace request doesn't necessarily mean that a gun was used in a crime. But he acknowledges that threatening to cut off certain dealers could alienate others.

Ellett keeps close tabs on the productivity of each salesperson. Mornings begin with a countdown of the top 12 salespeople from the previous day. Every month, the

women get a detailed breakdown of the profits they generate. Salespeople, who show marked improvement can get coveted parking spaces and their names on a marquee-style sign in front of Ellett's 190,000-square-foot warehouse.

Mostly Commissions

The telemarketers earn between \$14,000 and \$60,000 annually. About a third of their pay comes in salary, with the rest coming from commissions, bonuses and "special promotional incentives/funds," provided by manufacturers for pushing their brands.

In recent months, the daily promotion table has been piled high with pumpkins (supplied by Colt's Manufacturing Co.), wrapping paper and bows (from Taurus) and a cornucopia of fruits and vegetables (courtesy of Blount, which is soon to be acquired by a unit of Lehman Brothers Holdings Inc.). Manufacturers' representatives are so eager to court the Ellett sales force that they must book their appearances, where they tout new products as well as prizes, months in advance.

Though dealers buy from several distributors, Ellett has better access to hot new products. An Alabama dealer, for instance, asks if Ms. McGee can get him any of Sturm Ruger Corp.'s new commemorative .22-caliber pistols. She checks her computer and reports that Ellett's supply is already sold out. "But I'll put you on the good list," she promises.

A call to the owner of a small general store in West Virginia reveals a problem with the telemarketing approach: Salespeople can take orders from anyone who answers the phone at a licensed dealership. The owner is upset because Ms. McGee has been taking orders for guns and other merchandise from his sons. She listens patiently and ends the conversation with a promise to check with the dealer before taking orders from anyone else. "You're the boss," she says. "And you're my boss, too."

Later, Ms. McGee declines to say how old the dealer's sons are or to elaborate further. But Mr. Murray acknowledges that unscrupulous gun-shop employees could exploit this loophole, ordering guns and reselling them to criminals on the black market, though he says he doesn't "know of

any instances" where this has occurred. A February ATF report nevertheless cites off-the-book sales by dealers as one of the ways guns wind up in the hands of criminals. About 5% of illegal gun traffickers identified by ATF are licensed dealers, according to a spokesman for the agency who points out that a single bad dealer can channel large quantities of guns to the illegal market.

No 'Hobbyists'

By law, Ellett must have a signed copy of a dealer's federal firearms license on file before it can sell a gun. It also demands a photo of the dealer's storefront, which it considers evidence that a dealer isn't a "hobbyist" or part-time "kitchen-table dealer."

Ellett was among the first distributors to restrict gun sales to stores in the 1980s, when many gun enthusiasts got dealers' licenses so they could buy at wholesale prices. Ellett concluded that orders from individuals were too small and infrequent to offset the cost of sending out catalogs and maintaining accounts. Today, Ellett maintains this is a more responsible way to conduct business.

The practice might help insulate Ellett and some of its rivals from liability because law-enforcement officials say criminals are more likely to buy guns at shows and from dealers who operate out of their trunks, than from those who maintain stores. But at least 69 of 133 distributors surveyed by Shooting Industry magazine don't require storefront photos.

Doug Kiesler, a Jeffersonville, Ind., distributor who is among them, contends that storefronts offer no assurances. Selling only to stores, he adds, "discriminates against the little guy trying to get by."

Ellett is one of about two dozen distributors who carry the inexpensive "Saturday Night Specials" long favored by criminals. Mr. Murray points out that it is legal to sell them. "Not everyone can afford a Glock, a Sig or one of those more expensive brands," he adds. "If we move to outlaw affordable guns, aren't we discriminating against the poor?"

But he says that, if the suits brought in Chicago and elsewhere are successful, Ellett will drop handguns, which today account for about 20% of its sales. The company also sells rifles and shotguns, ammunition and newer lines such as marine accessories and archery equipment. In the meantime, Mr. Murray says, news of the suits is helping sales because some gun enthusiasts fret the legal attack could lead to heavier regulation of gun purchases.

In the late afternoon, Mr. Murray takes a look at the day's results on his computer. Ellett's sales of shooting and hunting products are 12% higher than the same day last year. Ms. McGee's tally: \$612 in rifles and shotguns, \$1,417 in handguns and \$6,819 in ammunition.

As the telemarketers prepare to leave for the day, Donna Matthews, Ellett's director of shooting and hunting sales, chooses the music that will fire up the crowd the next morning: the '70s disco hit "Boogie Oogie Oogie."



Dorothy McGee

Colt's Best Defense

In Difficult Times, a Gun Maker Tries to Counterattack



Fred R. Conrad/The New York Times

Steven M. Sliwa, the chief executive of Colt's Manufacturing, holds one of the company's pistols.

By LESLIE WAYNE

WEST HARTFORD, Conn. — For more than 150 years, the story of Colt guns has been entwined with the history of America. Colt sidearms were the weapon of choice among frontiersmen and outlaws, Texas Rangers and Army Rangers. Colt's M-16 is known to every Vietnam veteran. The company is best known for the Colt .45 — the "Peace-maker" that won the West and was later celebrated in John Wayne movies.

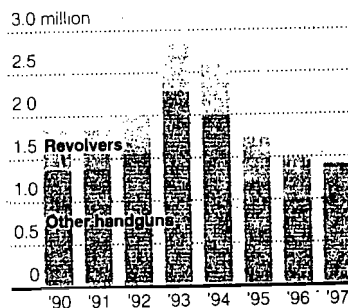
But there is no peace these days at the Colt's Manufacturing Company, which has suffered from a boom-and-bust history and is just now rebounding from a 1994 bankruptcy. Handgun sales are falling. And a wave of liability lawsuits and legislation, similar to those against the tobacco industry, is hitting Colt's and other gun makers, threatening to put a severe dent in their business.

In this difficult environment, the new

Arms Control

Colt's Manufacturing, under new owners after emerging from bankruptcy, is one of many gun makers facing lower demand for handguns and anti-gun lawsuits.

TOTAL HANDGUNS MANUFACTURED



Source: Bureau of Alcohol, Tobacco and Firearms
The New York Times

owners and managers at Colt's are bringing fresh capital and ideas they say will reverse the company's fortunes.

"The big question is, how do we make money and do well given the current legal environment?" Donald Zilkha, who heads a family-run investment firm that owns a majority of Colt's, said in an interview in his New York office. "Colt's is trying to be a different animal."

To that end, Colt's hopes to capitalize on a global brand name and diversify away from consumer handguns and toward military small-arms sales. To blunt criticism and find new customers, it is pushing forward on new technologies it says will make handguns safer.

But Colt executives say they are fully prepared to abandon the handgun business entirely if it becomes impossible to continue making them profitably. Colt's is also backing its business plan with a

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A Gun Maker Tries to Counterattack

Continued From First Business Page

heavy dose of hard-line Washington and statehouse lobbying, intended to thwart courtroom attacks and gain new financial support for research into handgun technology.

Colt's has brought in a new chief executive, Steven M. Sliwa, a 44-year-old former Silicon Valley aeronautical engineer who has already helped develop and take one company public. More recently, he brought Embry-Riddle Aeronautical University in Daytona Beach, Fla., once financially troubled, onto sound footing.

"We operate with a great brand name; we've got a great tradition," Mr. Sliwa said in an interview in his office here. "We want to operate this company into the 21st century. We're trying to modify, thrive and survive in a new environment."

For all its hopes, Colt's must confront some hard realities. Domestic production of consumer handguns, rifles and shotguns has fallen to 3.5 million in 1997, according to the most recent Government data, from a high of around 5 million a year in the mid-1990's. In 1994, 85 percent of the company was bought by the Zilkha family of New York, once one of Iraq's richest banking dynasties, for \$12 million. But since then, the company has barely eked out a profit — just \$2 million on sales of \$96 million in 1997, the most recent numbers.

And, like the rest of the gun industry, Colt's has stepped up its spending for lawyers and lobbying. In February, in a verdict hailed by gun-control advocates as breaking new ground in defining gun makers' responsibilities, a Federal jury in Brooklyn found Colt's and other gun makers liable and negligent in three shootings — two fatal — that involved the use of stolen weapons.

Five cities, including Miami and Chicago, have sued gun manufacturers and more lawsuits are expected — all aimed at holding the manufacturers at least partly responsible for the violence caused by those who use their products.

Moreover, legislation was introduced this month in Congress to toughen Federal safety regulations on handguns. And military purchases of small firearms, which represents about half of Colt's business, is shrinking, as the number of soldiers continues to decline.

So both Mr. Sliwa and Mr. Zilkha have been spending lots of time in Washington, and the company has been writing large checks to support industrywide efforts to counterattack anti-gun measures.

Colt's is also supporting efforts led by the National Rifle Association, one of the nation's most powerful interest groups, to get bills introduced in state legislatures across the country to prohibit municipalities from suing gun makers. Already, one such measure has been passed in Georgia; similar ones are being considered by eight other state legislatures. [In Congress, Representative Bob Barr, a Georgia Republican who is a member of the N.R.A.'s board, introduced Federal legislation on Tuesday to bar such lawsuits.]

Colt's strategy, though, is more multifaceted than other gun makers'. The company is working, for example, to have lawmakers push for Government financing to develop a "smart gun" — one that can be fired only by its owner. That effort puts Colt's executives at odds with many others in the industry, who are skeptical that reliable technology can be developed.

Colt's is also pressing the Pentagon and Congress to maintain a small-arms industrial base through

a Washington nonprofit group.

Colt's political strategy is intertwined with its business agenda. By making the development of a smart gun its No. 1 priority, the company is in part trying to make itself less vulnerable to lawsuits should its legislative actions fall short.

Colt's has also made two acquisitions beyond handguns. Late last year, it bought Saco Defense of Maine, a maker of grenade launchers and light military weapons, for an undisclosed price. It also acquired for an undisclosed price Ultra-Light Arms, a small West Virginia maker of expensive hunting rifles. These purchases came after Colt's stumbled last summer trying to buy F. N. Herstal of Belgium, the maker of Browning and Winchester firearms, when the Belgian Government blocked the deal.

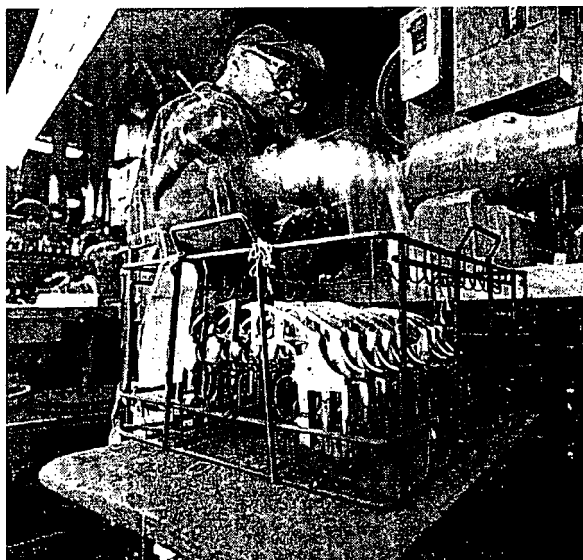
Colt's has also built legal firewalls to try to separate any potential liability at its handgun business from its military operations. Indeed, the company says, it will leave the handgun business if the political environment becomes too hostile.

"Even if they banned handguns, we'd still have a way to survive," said Mr. Sliwa, who showed off his own gun during the interview. "We have adopted corporate strategies to make us less dependent on the outcome of lawsuits. We want to win the lawsuits and the political debate and conduct our business to survive no matter what the outcome is. And we are doing everything to get there as fast as we can."

At a company where the factory floor looks like something from the era of six-shooters and the walls are plastered with paintings of John Wayne and the Old West, Colt's view is that new technology will be the way out of its current squeeze. More than any other gun maker, Colt's is betting that a "smart gun" will not only protect it from lawsuits and silence critics, but also open new markets among those who now hesitate to buy a gun out of fear of accidental shootings.

Colt's says that while technical difficulties remain, it could produce a version of a smart gun for law enforcement officers within two years and a commercial model two years after that, if not sooner. With corporate resources slim, it is trying to get Federal money to support its research beyond a \$500,000 grant it has already received. Colt's estimates that it will take as much as \$40 million to develop a commercial smart gun.

"The amount we've invested in our legal bills is more than what we've invested in our smart-gun research,"



Fred R. Conrad/The New York Times

A Colt's Manufacturing employee polished a rack of handguns at the company's plant in West Hartford, Conn. Nationally, handgun sales have fallen, and the industry now faces a new type of liability lawsuit.

Mr. Sliwa said.

Virginia Ezell, executive director of the Institute for Research on Small Arms in Alexandria, Va., said that "Colt's is pretty independent in the way it operates."

"If the public is oriented towards creating a safe product by having high-tech gizmos," she added, "that's fine with Colt's. They want to give the customer what he wants."

As one sign of Colt's independence, Mr. Zilkha came under criticism when he contributed \$2,000 to the 1998 campaign of Senator Charles E. Schumer, the New York Democrat, and \$10,000 to the Democratic Senatorial Campaign Committee — two of the gun industry's least-favorite causes. This led several gun owners to set up World Wide Web sites and call for a boycott of Colt's products.

Robert J. Walker, president of the Center to Prevent Handgun Violence, a Washington nonprofit group, said: "Colt's was one of the first companies to take seriously the lawsuits and potential regulations. And they were the first manufacturer to begin developing a type of high-tech product that some call smart guns. They've been a leader and more forward-looking with respect to how to change the industry."

"But, in spite of all the work they are doing, we are concerned that they, and others, still have a long ways to go in meeting their corporate responsibilities."

Mr. Zilkha says that if his strategy

works, he can produce compounded rates of return of 60 to 100 percent for the investor group through a merger or recapitalization.

"To get one of the best known brand names in the world for \$12 million, that's very, very cheap," Mr. Zilkha said. "Colt's is a unique company in the business. The last time I was in the old building, bricks from the old plant were even being sold for \$500 each."

Aurora-Chef's Choice Deal

SAN FRANCISCO, March 11 (Dow Jones) — Aurora Foods Inc., a producer of frozen and dry grocery products, plans to acquire Sea Coast Foods and its Chef's Choice line of frozen skillet meals for \$50 million. Aurora, based in San Francisco, said on Wednesday that Chef's Choice would complement its other frozen-food lines, including Mrs. Paul's seafood, Aunt Jemima breakfast foods and Celeste pizza. Sales of the Chef's Choice line, which consists of 10 items, totaled \$57 million in the year ended Jan. 31. The closely held Sea Coast Foods is based in Seattle.

No day is complete
without
The New York Times.

Moon Empire Gets a Bang For Its Buck

Unification Church Tied to Arms Maker

By JOHN MINTZ
Washington Post Staff Writer

With parts of its sprawling business empire in decline, the Unification Church headed by the Rev. Sun Myung Moon is finding profits in one of the least-known of its commercial ventures: making guns.

Moon's four-year-old gun company, Kahr Arms, has prospered amid glowing reviews for the workmanship of its small but potent pistols. Last month, Kahr Arms expanded, purchasing the company that manufactures Tommy guns, fabled in Roaring '20s mob shootouts from speeding black sedans.

The ties between Kahr Arms and the Unification Church headed by Moon have received almost no notice, both within the close-knit gun industry and among church members. The business arm of the church, whose members believe that Moon is the Messiah and was placed on earth to restore the Garden of Eden, declined to clarify its involvement in the gun business.

One ex-member said that for years church leaders have tried to obscure the movement's involvement with Kahr Arms. "They were afraid if anti-cult groups found out, they'd have a field day," the former member said.

But an examination of corporate records and interviews with experts on the secretive Moon empire demonstrate the links be-

Arms Maker Tied to Unification Church Exploits Niche in Market

MOON, From A1

tween the church's business network and Kahr Arms. Kahr, whose factory is in Worcester, Mass., is controlled by Kook Jin "Justin" Moon, 28, the elder Moon's fourth son and slated to be second-in-command of the multi-billion-dollar Moon empire when the 79-year-old father dies. Justin Moon and his siblings are revered by church members as the Messiah's "True Children."

Some former members and gun industry critics perceive a contradiction between the church's teachings and its corporate involvement in marketing weapons promoted for their concealability and lethality.

"I see an irony, if not hypocrisy, that someone who professes peace and says he's completing Jesus's work also manufactures for profit an implement with no purpose other than killing people," said Tom Diaz, author of "Making a Killing," a new book critical of the firearms industry. "What's the message, turn the other cheek, or lock and load?"

Two years ago a demoralized British member wrote Moon saying he was quitting partly because of the church's involvement with Kahr guns. "I might ask if you, as a founder of a religious organization which has 'world peace' as one of its goals, consider it appropriate to manufacture weapons for sale on the mass market," the member wrote.

Kahr has been in the forefront of seizing on changes in state and federal law and marketing a controversial type of small, six-inch-long handgun whose sales are surging. Guns that size had been around for decades, but they could shoot only small bullets.

Then in recent years, 31 states passed laws, promoted by the

National Rifle Association, allowing people to carry concealed weapons. Moreover, in 1994 the government banned manufacture of guns able to hold more than 10 bullets. Now unable to sell popular models shooting up to 21 bullets, the industry searched for new products to sell.

Gun firms—with Kahr at the head of the pack—responded to these changes by finding a new market niche to exploit—small but well-made pistols that fire eight or fewer relatively large 9mm and .40-caliber bullets.

Emergency room physicians blame the spread in the last decade of 9mm and .40-caliber guns for dramatic increases in more devastating and at times fatal gunshot wounds. The NRA says the nation is safer because of the 2 percent or so of adults who always carry handguns, and it cites studies supporting that claim.

Kahr markets its guns for their concealability, among other things. Its K9 model is "the perfect pocket 9mm," says one ad. "No safeties to fumble with when the pressure is on."

Combat Handguns magazine praised Kahr pistols as "made like a fine Swiss watch." Soldier of Fortune said they "pass with flying colors" the key test of any handgun their size: "close range, high stress, rapid-fire desperation shooting when all else has failed."

Kahr guns are used by some police officers as backup weapons. holstered on their ankles and shoulders. They have not become popular with criminals, gun experts say, because of their relatively high cost—about \$750 apiece—and because the firm is so new.

Last month Kahr Arms bought into a legendarily lethal product line by purchasing Auto-Ordnance Corp., the maker of Thompson

submachine guns. The company was founded in 1916 to develop a portable machine gun that its inventors hoped would win World War I. The "Trench Broom" arrived too late for the war but was snapped up by gangsters like John Dillinger and Machine Gun Kelly.

Now Kahr manufactures Auto-Ordnance's line of semiautomatic weapons and is awaiting a federal license that will allow it to make the fully automatic machine guns once beloved by gangsters.

One reason for the Unification Church's expansion into the gun business may be that Moon has often placed money in ventures in which his children have a personal interest. He bought a Manhattan recording studio for a son who was a heavy-metal rock musician, and horse farms for two other children who rode on Korea's Olympic equestrian teams. In the case of Kahr, the elder Moon was drawn to the gun industry by his sons, who are avid firearms hobbyists, said one former member.

Justin Moon graduated magna cum laude from Harvard University with an economics degree in 1992. Then, under his father's orders, he instituted a boardroom shake-up of the church's many firms, placing Moon relatives in the key positions, the former member said. Like his father, "the son was afraid when his dad died, the members would betray the family," the ex-member said. "He wanted everything in the family's name."

Justin Moon then persuaded his father to invest \$5 million in Kahr, arguing that it would be a profitable venture, the ex-member said. The son, who has no engineering training, has received five U.S. patents based on his claim that he invented key technical innovations embedded in Kahr's guns. The parent company of Kahr

Preaching Peace, Making Guns

The Unification Church has financial ties to prosperous Kahr Arms, a gun manufacturing company. Its Kahr K9, reviewed in

a March 1996 Guns & Ammo article below, is marketed as a small but potent weapon.



SOURCE: Guns & Ammo



THE WASHINGTON POST

Arms, Saeilo Inc., is an offshoot of a cluster of 15 or so other Moon-affiliated concerns, all called some variation of Saeilo and all in the machine tool or car repair business. For years employees at various of the Saeilo firms have been exhorted to meet sales targets so as not to displease the elder Moon, called "True Father" or "TF."

David Bromley, a Virginia Commonwealth University sociologist who studies the church, said members believe the companies "create connection to the Messiah.... They create a community and integrate work and family." Moreover, he said, while followers privately view their firms and the church as essentially one entity, in public they often "make fine distinctions between them."

Asked about the tie between the gun firm and the church enterprises, One Up Enterprises Inc.,

the holding company over many of the church's businesses, said in a statement that it "is not involved with the operations of Saeilo Inc." Asked to elaborate, One Up said it "does not release financial information to the public." Saeilo Inc. said its gun venture is profitable.

An examination of the Saeilo firms' data filed with federal agencies, the telephone company and business reporting firms leaves no doubt that Saeilo Inc. is connected to the rest of the Moon empire.

The church's One Up has long acknowledged that Saeilo Machinery (USA) Inc., a machine tool firm, is an outright subsidiary of One Up. In statements to Dun & Bradstreet and the Bureau of Alcohol, Tobacco and Firearms, Saeilo Inc. and Saeilo Machinery describe themselves as "affiliates." The two firms' headquarters share a telephone number at the same address in Blauvelt, N.Y.

Even as Kahr thrives, some of Moon's other business holdings are in serious decline. His South Korean companies, which include concerns that make car transmissions and sell ginseng, are \$2 billion in debt, and many are in bankruptcy. A car plant in China, Panda Motors, has gone under. In addition, donations from members in Korea and Japan have dropped precipitously, in part because of economic distress there.

Larry Zilliox, a McLean private investigator who has researched the Moon business network for a decade, said Moon views enterprises such as Kahr as critical to his future.

"Moon no longer looks at the church as the core organization," said Zilliox, who first established the Kahr-Moon link. "The movement's business part is the enduring part."

See MOON, A10, Col. 1.



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05/19/99- Updated 12:58 AM ET

Most new firearms have locks

By Gary Fields, USA TODAY

WASHINGTON - If child safety devices become mandatory for firearms, there won't be any shortage of gun locks.

Bob Ricker, executive director of the American Shooting Sports Council, a manufacturers' organization, says 80% of all the new handguns, rifles and shotguns being sold in the USA are equipped with gun locks.

Ricker estimates that number will grow to about 90% by 2000. Ricker says 2 million to 3 million new guns are sold in the country each year.

"I can't think of any company that has not signed on to this program," he says.

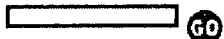
Gun manufacturers have voluntarily been supplying safety devices with their handguns since reaching an agreement with the Clinton administration in October 1997. That agreement was expanded recently to include shotguns and rifles.

A bill passed Tuesday by the Senate 78-20 would mandate safety locks on new handguns.

Among the child safety devices currently on the market:

Trigger locks. The kidney-bean-shaped locks come in two parts. One

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side has a metal arm that is threaded through the trigger guard and locks into the other side. It can be opened only with a key. The lock prevents the trigger from being pulled. If the gun is loaded, however, it still can fire accidentally.

Cable locks. These devices resemble bicycle locks. When used with semiautomatic weapons, the cable is threaded through the handle where the ammunition magazine is placed. The cable prevents the gun from being loaded or fired.

In revolvers, the cable can be threaded down the barrel of the gun and through the revolving cylinder that actually holds the bullets.

SaftLok. These locks are built into the ammunition clip and fit straight into the semiautomatic magazine chamber. Once locked, the trigger won't fire and the magazine can't be removed. To unlock the weapon, the user has to press buttons on the ammunition clip in a certain sequence. In revolvers, the devices are in the handle and lock the trigger.

Other safety devices on the market include lock boxes and gun safes in which weapons can be stored at home securely.

While many of the devices are external, companies such as Taurus have begun developing handguns that have safety devices built into them and require a key to operate the firearm.

"Then there's a whole litany of other products. There's a safety hammer, where you can actually remove the hammer from the revolver, rendering it unable to fire," Ricker says. "We think there will be a point where you won't be able to buy a gun without a device that works well with that gun."

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ADVERTISING

Gun Industry Cancels Ads, Citing Concerns Over Timing

By PAUL M. BARRETT
And VANESSA O'CONNELL

Staff Reporters of THE WALL STREET JOURNAL

Barely six weeks into its first major magazine advertising campaign, the beleaguered gun industry has dropped the ads for fear of offending readers in the wake of the Colorado high-school massacre.

Placed in magazines such as the Economist, the Atlantic Monthly and the New York Times Book Review, the ads eschewed controversies over the right to bear arms, and instead discussed in measured terms the popularity and safety of hunting and target shooting.

"We decided the campaign would be seen as inappropriate and insensitive at this time," says Robert Delfay, head of the National Shooting Sports Foundation, a trade group in Newtown, Conn.

The crumbling of the pro-safety ad campaign offered a new sign of division within the fractious firearms industry. The ads had taken a more diplomatic approach than the pugnacious National Rifle Association, which represents gun owners. A rival gun trade group, the American Shooting Sports Council, sent a memorandum to its members that, among other things, noted the end of the ad campaign and accused the National Shooting Sports Foundation of "following the NRA lead in dealing with policy proposals following the tragic shooting in Littleton, Colo."

Mr. Delfay, who maintains that he operates independently from the NRA, nevertheless pulled out of a recent highly publicized White House antiviolenace summit attended by other gun industry representatives, at least partly because the NRA wasn't invited.

Mr. Delfay says his NRA ties didn't

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Continued From Page B1

play a role in yanking the ads.

When the foundation told its ad firm, Porter Novelli, of the decision to stop the presses, the Omnicom Group unit pulled out of other aspects of its assignment, including advocacy with news organizations, Mr. Delfay says. Porter Novelli "came back to us and said, 'We can't very well be contacting The Wall Street Journal [or other newspapers] about guns at this time,' so they suggested we table the whole thing," the trade group executive explains.

Before the cancellation, \$500,000 to \$600,000 had been spent on what was to have been a three-year, \$1 million-a-year campaign. The sum spent to date includes the cost of focus groups and other preparation.

Porter Novelli executives refused to be interviewed, but chief executive Robert Druckenmiller issued a two-sentence written statement: "We have decided that it is in our mutual best interests to end the Porter Novelli assignment with the National Shooting Sports Foundation. Given the current environment, we do not see a constructive role for an NSSF educational-advertising program as originally intended."

One ad developed for the campaign stated that gun makers and retailers "never want a firearm in the wrong hands," and featured a photo of a Sturm, Ruger & Co. shotgun. "Safety is our first and foremost priority." Another featured a bull's eye and said, "Since the first cave man threw a stone, the challenge of hitting a target has been part of human nature."

Part of Porter Novelli's planned public-

ity initiative was to approach the producers of the hit Broadway show "Annie Get Your Gun" about participating in a public relations event, such as a shooting exhibition at the Tamarack Club, a private shooting club in Millbrook, N.Y. "We never committed to it, although we said we would consider it," says Peter Sanders, a spokesman for the production. "The show is sort of shying away from any sort of visibility with guns in general," he adds. "We don't even use gunshots in the show. We use drums."

The shooting-sports foundation hired Porter Novelli in August 1998 as speculation mounted over whether cities would begin suing gun companies in the fashion that states earlier had sued cigarette makers. Porter Novelli is well known for having represented antitobacco forces in their fight against the cigarette industry. Three months after the public-affairs advertising firm was brought in, New Orleans was the

first city to sue gun makers and marketers, alleging that they should be held liable for the public costs of gun violence. Nine other municipalities have followed with similar legal actions, and more are expected.

Pressure on the industry intensified after the April 20 massacre at Columbine High School. President Clinton and Democrats in Congress have renewed efforts to enact additional gun-control provisions, several of which have been debated in the Senate.

In the absence of its ad campaign, the

shooting-sports foundation will go ahead with previously planned education and safety programs with municipalities and police departments, which Porter Novelli was supposed to help with, Mr. Delfay says. But the group has "no plans for any sort of paid effort," he adds.

Inflation-Indexed Bonds Attract Fans

Returns Trounce Other Debt Issues

CREDIT MARKETS

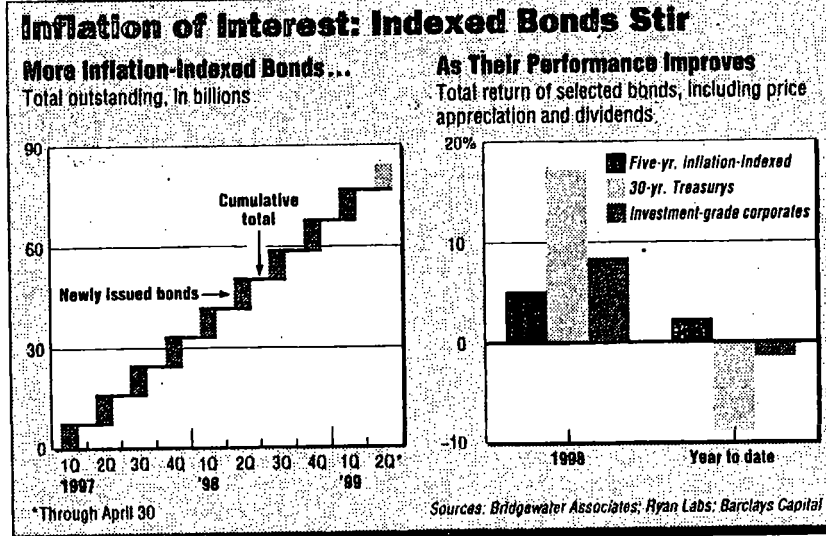
By GREGORY ZUCKERMAN
Staff Reporter of THE WALL STREET JOURNAL
Safety and security never looked so enticing.

Scorned by investors since they were first issued two years ago, inflation-indexed Treasury bonds suddenly are looking appealing as the threat of renewed inflation looms over the economy. The bonds — designed to safeguard holders from the ravages of inflation — have trounced other government and corporate bonds this year and are likely to continue to perform well, analysts say.

Granted, the real money has been made in stocks, not bonds, during the past few years. But Nervous Nellie investors who bought inflation-indexed bonds when the threat of inflation was dormant are looking smart. The total return (price appreciation plus interest payments) on inflation-indexed bonds maturing in 2002 is 2.3% so far this year, according to Barclays Capital. This compares with an 8.91% loss for the benchmark 30-year Treasury bond and a drop of 1.49% for investment-grade corporate bonds, according to Ryan Labs, a New York firm.

That's not to say that all life has been drained from the Treasury market. Yesterday, Treasuries staged an impressive rally, as the 30-year bond rose over one point, to yield 5.802%, as investors put aside their inflation worries, at least for a day.

The renewed interest in inflation-indexed bonds started even before Fri-



day's surprisingly large increase in the consumer-price index and the Federal Reserve's subsequent decision Tuesday to tilt toward raising short-term interest rates to combat inflation. A fund for large investors dedicated to inflation-indexed bonds run by Bridgewater Associates in Wilton, Conn., has swelled to \$1.8 billion from \$800 million in recent months.

"The market for inflation-indexed bonds has been slow to take off, and there was a lot of skepticism when they were introduced, but now we're seeing big, big interest," says Ray Dalio, president of Bridgewater. He argues that the bonds are a better diversification move than normal bonds, which can be hurt by rising inflation. "They have less risk than nominal bonds because they don't have the inflation volatility, and they have zero, or negative, correlation with stocks."

Adds Chris Kinney, a manager at

Brown Brothers Harriman in New York: "To the extent you're worried about stocks and want to buy a bond, you should buy inflation-indexed bonds because the real scare is inflation and these bonds go up in price with inflation."

Inflation-indexed bonds offer a guaranteed rate of return above inflation. Investors buying 10-year inflation-indexed bonds right now, for example, get a yield of 3.84% on their principal investment. If inflation rises, the Treasury will credit additional money to the bondholder's principal at the same percentage that inflation rises as measured by the CPI. The coupon rate remains unchanged, but is paid on a larger amount of principal.

There are drawbacks to inflation-indexed bonds, mostly because the market for them isn't nearly as liquid as for nominal Treasury bonds. In the late-sum-

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Loaded Words

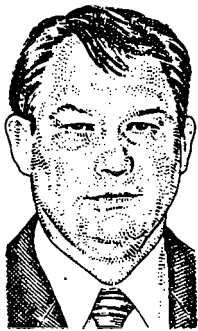
A Dealer Breaks Rank, Blaming Gun Makers: 'Let the Chips Fall'

New Rules Could Lift Image
Of Industry—and Limit
Mr. Lockett's Rivals

Article Causes Nervous Buzz

By PAUL M. BARRETT
Staff Reporter of THE WALL STREET JOURNAL
OVERLAND PARK, Kan. — Gun dealer Robert Lockett is considered dangerous—by his own industry.

The veteran proprietor of The Second Amendment gun shop in this Kansas City suburb argues that gun manufacturers could — and should — police gun sales more vigilantly. Mr. Lockett says as much in a forthcoming column in an influential industry trade magazine. The article, scathing in tone, links lax manufacturer practices to the sale at gun shows of weapons that later turn up in crimes.



Robert Lockett

"I get down and dirty about things the manufacturers don't want to talk about," Mr. Lockett says in an interview. "I tell the truth, and let the chips fall."

This is remarkable stuff coming from an industry insider. Strikingly, the dealer's assertions strongly support arguments in lawsuits filed against gun manufacturers and wholesalers first in a trail-blazing gun-liability suit in Brooklyn, N.Y., and now by 23 municipalities. Many of those suits blame "negligent distribution" for the huge flow of handguns into the black market.

When told of Mr. Lockett, lawyers representing some of the cities and counties in the suits say they see the dealer as a potential witness. "We want to speak to this gentleman right away," says Daniel Abel, a New Orleans lawyer helping represent that city and four others. "As soon as I find out his address, I'll be on the plane."

Indeed, gun dealers may turn out to be a significant weakness in the industry's defenses. Motivated by economics, sometimes combined with safety and ethical concerns, many established gun-store owners favor greater industry regulation. List-price retailers tend to favor a crack-down by manufacturers and government on gun shows and fly-by-night dealers as a way of improving the industry's image and—not incidentally—limiting low-price competition.

Robert Taborden, a former retailer in suburban Chicago, has agreed to cooperate with the city in its suit against the industry, in exchange for the city's dropping its damage claims against him. Mr. Taborden is willing to testify that gun manufacturers "know or should have known" that a healthy fraction of the firearms distributed to suburban retailers would in fact be bought for illegal use in Chicago, which has an ordinance effectively banning guns, says his attorney, Stanley Jakala.

Not surprisingly, gun-company executives and lawyers aren't pleased over the prospect of either the Lockett article or of dealers' possible testimony. They have been anxiously buzzing in recent days about the column — scheduled to be published next month in Shooting Sports Retailer magazine — copies of which have already been circulating in the industry. While the article has yet to run, the Lockett controversy was promoted on the magazine's Web site yesterday.

Publicly, gun executives question Mr. Lockett's motives and suggest he doesn't know what he is talking about. Privately, the tenor is different. "This guy could very definitely be a problem," says one senior industry official. "He has credibility."

A wooden plaque near a shotgun display in Mr. Lockett's store commemorates that he was named 1993 Dealer of the Year by the National Alliance of Stocking Gun Dealers. He "knows more about retailing firearms than anyone I've met," says Bob Rogers, Shooting Sports Retailer's editor. Mr. Rogers compares the July column to "lighting a flame to a gas can" and worries that it may alienate advertisers. But despite the collapse last week of a gun-control bill in the House of Representatives, the industry needs a wake-up call, he says. Municipal lawsuits "remain a threat that has to be confronted."

As for Mr. Lockett himself, it is hard to figure out just what he is up to. The term whistleblower comes to mind, but he isn't the standard industry defector.

Standing behind a pistol-filled glass display case in his no-frills shop, he portrays himself as a pro-gun loyalist who wants only to clean up his industry, not see it pummeled in court. He says that if called to testify, he could outsmart antigun lawyers by arguing that, even if the industry had been negligent in its distribution practices, "guns don't jump up and kill people; someone has to pull the trigger."

"People have told me," he says, "that I should have been an attorney myself."

Though Mr. Lockett clearly enjoys verbal fencing, antigun lawyers predict that they would be able to elicit damning testimony about the industry, while excluding as irrelevant his opinions on the legitimacy of the gun-liability suits.

A powerfully built 51-year-old Vietnam veteran and Naval Reserve commander, Mr. Lockett is a competitive shooter and hunter who 18 years ago quit a corporate auditing job to get into the gun business. He wears a coat and tie every day, drives a red Maserati and prides himself on his financial acumen. His store has annual sales of about \$1 million a year. He trades stocks online from a computer near the ammunition department. He disdains dealers in T-shirts who can't read a balance sheet. "Gun hobbyists," he calls them.

The Bottom Line

He has little use for firearm manufacturers, either. For years he has written searing trade-magazine columns, assailing what he sees as the many examples of manufacturer incompetence. Not coincidentally, most of these purported failings—such as the marketing of guns through discount mass-retailers and the widespread publication of wholesale prices—have hurt list-price gun-store owners like Mr. Lockett.

Wain Roberts, a Pinellas Park, Fla., dealer who serves on the board of directors of the National Alliance of Stocking Gun Dealers, a trade association, says that while Mr. Lockett's style is viewed as brash, "a lot of what he says makes sense—not all of it, but a lot." For example, Mr. Roberts says that many dealers favor greater restrictions on gun shows, which have lower overhead and generally make weapons available at lower prices.

Even though the gun business is vulnerable in court right now, Mr. Lockett says he welcomes the chance to inform a broader audience about how his industry has hurt itself by refusing to take more responsibility for the distribution of its deadly products. "This thing can be fixed," he says, "but the manufacturers are putting their heads in the sand."

Keeping Track

Gun makers typically sell their wares to wholesalers who resell them to retailers. Manufacturers maintain that once firearms leave the factory, they can't keep track of where the guns go.

Mr. Lockett counters that gun manufacturers could establish direct franchise relationships with dealers that would include tough restrictions on how and to whom guns could be sold. Manufacturers could demand monthly sales reports from retailers on where each gun was in the distribution chain, Mr. Lockett says. This, he adds, would discourage dealers from selling firearms at gun shows, which are gatherings similar to flea markets where buyers may obtain guns from unlicensed sellers without undergoing background checks or filling out government paperwork.

All four of the guns used in the Columbine High School massacre were legally obtained at gun shows—an example, according to law-enforcement officials, of how the shows have become a major source of guns used in crime.

'No Wait, No Questions'

Just recently, Mr. Lockett writes in his forthcoming column, two teenagers came to his store, looking for ammunition magazines for a pair of new Glock pistols they said they had bought the day before at a nearby gun show. The boys were obviously younger than 21, the legal age for buying handguns, Mr. Lockett writes. The youngsters brazenly volunteered that there had been "no background check, no wait, no questions," he writes.

Mr. Lockett, who turned away the teenagers, blames Glock. The company, he says, "knows what's going on and should be taking steps to control who is selling those guns."

Glock disagrees. "I don't know how we would have known about that sort of thing," says Paul Jannuzzo, general counsel of the U.S. unit of Austria's Glock GmbH, which is a defendant in the municipal suits. Mr. Jannuzzo says that Glock sponsors a program in which dealers receive promotional benefits in exchange for agreeing to obey all government sales regulations, among other rules. In addition, he says, Glock employs a retired U.S. Drug Enforcement Administration agent who

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covertly looks for suspicious sales of the company's weapons at gun shows. "We're doing a lot" to check illegal activity, Mr. Jannuzzo says.

Mr. Lockett's proposal is more radical: Each manufacturer should choose only a few hundred official franchisees, each of whom would have an exclusive sales territory. The franchisees could be banned from selling at gun shows or selling more than two or three guns at a time to a customer, among other restrictions. Price competition would be reduced, and the much smaller cadre of retailers could be closely supervised.

"Those are certainly lofty goals," says Ed Shultz, the chief executive of Smith &

Wesson Corp., a unit of Britain's Tomkins PLC and another defendant in the municipal suits. "But to literally go out and police these actions would be a phenomenal effort. It's not possible."

Code of Conduct

Of the roughly 17,000 retail-gun-store owners in the country, Smith & Wesson has signed up about 3,000 who promise to follow its code of conduct, Mr. Shultz says. "But it would be impossible to get out on a weekly or monthly basis to observe what they're doing and check up on them." That is the job of federal and local authorities, he adds.

Jeffrey Reh, general counsel of the U.S.

unit of Italy's Beretta SpA, also a defendant in the municipal suits, accuses Mr. Lockett of "using the threat of litigation" to propose "anticompetitive solutions." In any event, "we deal with distributors, not dealers," the Beretta lawyer adds. "What he's talking about just isn't within our realm of responsibility."

But Mr. Taborden, the former Chicago gun dealer who is cooperating with that city in its lawsuit against the industry, is prepared to testify that from the retailers' perspective, manufacturers shouldn't "be off the hook" because they do understand how their products end up in criminal hands, says Mr. Taborden's attorney, Mr. Jakala. Mr. Taborden may feel more liber-

ated to discuss industry practices because he decided recently to quit the gun business altogether, the lawyer adds. The former dealer asked himself, says Mr. Jakala, whether he should "continue to operate a business that hurts the common good in his area."

Mr. Lockett warns that the manufacturers' basic defense—that current industry arrangements don't facilitate scrutiny of retail activity—won't wash with juries. His forthcoming column is titled "The Implications of New York City," a reference to the verdict returned in February in Brooklyn. In a case brought on behalf of relatives of seven gun-shot victims, a federal court jury, for the first time, held three gun companies liable for the criminal use of their weapons. The Brooklyn suit, which helped inspire the broader municipal litigation,

demonstrated that manufacturers' arguments "regarding lack of accountability" are "tenuous at best," Mr. Lockett writes.

The plaintiffs' lawyers in the Brooklyn case presented sworn statements from a former Smith & Wesson executive who said that gun manufacturers were generally aware of the diversion of guns to the black market but did little to stop it. But the ex-executive's testimony lost much of its punch when he failed to testify in person at trial because of what plaintiffs' lawyers said were severe health problems.

The difference between that ex-executive and Mr. Lockett is that while Mr. Lockett maintains that he wouldn't be helpful to gun foes, he is unafraid to state his views in person and in public. "I'm amazed," he says, "that I haven't been subpoenaed before now."

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Boom Times

Industry Under Siege, Threats of Regulation —And a Surge in Sales

It's the Economics of Guns,
Where Bad News Is Good
For Mr. Santizo's Clips

'Just a Box With a Spring'

A1

By PAUL M. BARRETT

Staff Reporter of THE WALL STREET JOURNAL

SANTA FE SPRINGS, Calif. — The gun industry is under attack in the courts and legislatures. Its foes, in the wake of grotesque school shootings, sense a rare opportunity to curb America's gun culture.

But for Carlos Santizo, who manufactures ammunition clips for pistols and rifles, business has never been better.

Wholesalers from around the country are calling Mr. Santizo's U.S.A. Magazines Inc. here in suburban Los Angeles, pleading that he fill stacks of back orders. Three 35-person shifts are working around the clock in his small factory. "It's absolutely crazy," the entrepreneur says. For 1999, he predicts a 50% jump over last year's \$10 million in sales.

It is much the same in the rest of the gun industry. Tiny Beretta "pocket pistols," powerful Colt assault rifles, ammunition, gun safes — they are all flying off the shelves. The main reason is fear of new proposals to stiffen federal gun-control laws, combined with a wave of municipal lawsuits that could force far broader limits on industry practices.



Carlos Santizo

In a striking example of unintended consequences, the gun market historically booms whenever consumers perceive a threat that regulations will make it harder to obtain firearms or their accoutrements.

Store owners also report that year 2000 paranoia that guns will be needed for personal protection is accelerating this year's rush, with many customers buying more guns — or their first — as well as ammunition and magazines. (Also known as clips, magazines are rectangular steel boxes containing bullets, which are inserted into the handle of a pistol or the body of a rifle; a spring pushes the bullets up into the gun.)

At Koscielski's Guns, Ammo & Surplus, a retailer in Minneapolis, sales exploded by 112%, to \$89,000, for the first five months

of this year, compared with the same period in 1998, according to proprietor Mark Koscielski. Wade Gaughran, owner of Wade's Eastside Gun Shop in Bellevue, Wash., reports a stampede of first-time buyers, including executives from high-tech companies "who want high-end guns." Given how competitive his industry is, Mr. Gaughran says, "right now, the threat of gun-control legislation is the thing that's making the difference for a lot of guys."

Mr. Santizo, 38 years old, who broke into the magazine business 12 years ago as a ponytailed upstart, personifies the current boom: He has built the largest American-based company in his niche market by capitalizing on consumer fear of regulation. The muscular son of a Guatemalan immigrant family of modest means, Mr. Santizo today drives a spacious white BMW, lives with his wife and three small children in an \$800,000 Huntington Beach, Calif., home, and enjoys Las Vegas gambling jaunts with his buddies. For a lot of his success, he says, "I have to thank Sarah Brady," the gun-control activist.

His strategy of turning anxiety over gun curbs to his advantage has made him a

Gun Shy?

Gun-control opponents claim the Justice Department isn't aggressively prosecuting the gun laws already on the books. But records show the issue is murkier than both sides acknowledge. Page A20.

■ House GOP may try to prohibit sales of violent material to children, Page A20.

■ Gun industry leaders meet today amid further signs of disarray, Page B17.

particular target of antigun advocates' wrath. But he escaped liability in one closely watched court case in 1996, and hasn't been named as a defendant in the current profusion of municipal suits.

Mr. Santizo learned his business as a young clerk at a hardware store that had a gun counter — a retail combination rare today but once common. Working at the store in his hometown of Bell, adjacent to south-central Los Angeles, he observed the sharply increasing popularity in the 1980s of semiautomatic pistols, which replaced revolvers as the handgun of choice for police, civilians and criminals.

Revolvers generally accommodate six bullets, which are inserted individually into a revolving cylinder. Semiautomatic pistols use magazines, which can contain more bullets, allowing the user to fire more rounds before reloading.

Mr. Santizo recalls noticing that customers who wanted extra magazines lacked much variety to choose from. The alternatives were expensive clips sold by gun manufacturers, called "original-equipment," or cheaper "aftermarket" products that were available for only a few models of guns. "There was room," he says, for someone to offer a wide variety of

Please Turn to Page A8, Column 1

Continued From First Page
aftermarket magazines at low prices.

Another opportunity was the growing popularity of military-style assault rifles and pistols, which characteristically accommodate high-capacity clips. Although assault weapons, such as Navegar Inc.'s TEC-9, were gaining notoriety as crime guns, Mr. Santizo says he saw nothing wrong with making clips for them.

"You tell me what the law is, I will follow it and leave law enforcement to do their job," he says.

But he has his limits. When a customer walked into the hardware store in 1985 and ordered more than 100 AK-47 assault rifles, Mr. Santizo blew the whistle. He agreed to wear a surveillance wire for federal agents, who staked out the store to arrest the local businessman who was serving as a "straw buyer" for a group allegedly planning to export the guns. Mr. Santizo testified as a prosecution witness in federal court, and at least three men were imprisoned for illegal gunrunning. "Those AKs weren't going to be used for anything good," he says.

While still working at the store, he began making magazines in his father's garage, bending thin steel with rudimentary tools and assembling parts he bought from machine shops. In 1987, he started U.S.A. Magazines with \$2,000 in savings and one employee. To focus on his new business, he reluctantly gave up gigs as a professional skateboarder and as lead singer of a Van Halen-style rock band that played in L.A. clubs.

The magazine-industry leader was then, and still is, Mec-Gar SRL, an Italian

manufacturer that makes clips mostly for gun companies, law enforcement, and the military. With the aftermarket splintered among small shops, Mr. Santizo exploited relationships with wholesalers he had cultivated while working as a salesman.

"Carlos stuck out," says Martin Arnstein, chief executive of Interstate Arms Corp., a wholesaler in Northridge, Calif., that serves dealers nationally and was the first to carry U.S.A. Magazines products. With his hair and dark complexion, "he didn't look like other people in the business," which is overwhelmingly white. But Mr. Santizo also stood out because of his polite manner, eagerness to learn, and, above all, his low prices, Mr. Arnstein says.

Using today's prices to illustrate, the wholesaler explains that a 10-round magazine sold by Smith & Wesson Corp. might retail for \$27 to \$29, while a U.S.A. Magazine knockoff could go for as little as \$9.95. "No one would say his are as good as Smith & Wesson," Mr. Arnstein says, "but that's a low price."

Despite persistent concerns about quality, U.S.A. Magazines grew steadily. Fueling demand in the late 1980s was the gun-control movement's drive to ban assault weapons, which were linked to drug gangs. "Whenever you tell gun owners that they might not be able to have a certain gun, they will run right out and buy another one, and they'll want some extra magazines to go with it," says Robert Ricker, executive director of the American Shooting Sports Council, a Washington, D.C., trade group.

After a year in business, U.S.A. Magazines employed 15 workers and had moved from the Santizo garage to a small factory

east of L.A.

The antiassault weapons effort gained momentum in 1989, when a man armed with an AK-47 sprayed a Stockton, Calif., schoolyard, killing five children. In reaction, California and other states banned certain assault weapons, and the federal government prohibited the importation of some, as well.

For Mr. Santizo, business exploded, because people were afraid big clips along with assault weapons themselves would become impossible to obtain. By 1990, he employed 25 people at a facility in Santa Fe Springs. Gun control, he says, "really helped me get off the ground."

In 1994, he got another boost, with the approval of a federal ban on the domestic manufacture of certain assault weapons and of clips holding more than 10 rounds. Anticipating the new law, Mr. Santizo hurriedly built a huge stockpile of high-capacity clips. A loophole in the ban allowed the sale and possession of high-capacity guns and magazines already in existence at the time of enactment.

As a result, millions of guns that can accommodate high-capacity clips are still in circulation—both assault weapons and more conventional models. The limited stock of high-capacity magazines is in heavy demand, with prices running at roughly twice pre-ban levels. A U.S.A. Magazines 55-round AK-47 clip today retails for \$39.95; an 18-round Glock pistol clip for \$32.95.

The fact that manufacturers are making more guns that accommodate smaller clips is also a boon to Mr. Santizo. Gun makers typically include a clip with a new

pistol. A customer who in years past might have bought an extra 18-round clip with his Glock, for a total of 36 rounds, today has to buy three extra clips to match that firepower.

The ban, in practice, has made "the magazine makers rich, because they sell more," says Mr. Koscielski, the Minneapolis dealer. Indeed, U.S.A. Magazines doubled its work force in 1994, to 50, and has now grown to more than 100 employees. "Thanks to Bill Clinton," Mr. Santizo declared in a 1995 ad in Shooting Industry magazine, "we now produce a full line of politically correct 10-round" magazines.

The company's immaculate factory churns out magazines for almost every major model of gun. Once Mr. Santizo imitated original-equipment clips by eyeball estimates; today, his engineers use computer-scanners and other high-tech gadgets to produce knockoffs that are within two-thousandths of an inch of the originals. (Most gun-magazine designs aren't patented because the technology is so basic and so widely disseminated.)

It is a source of frustration to Mr. Santizo, who has clipped his ponytail, that, despite his success, some people think of him primarily as a purveyor of high-capacity magazines of dubious quality. "Those are the hecklers, the tiny minority," he says. He points out proudly that his company, acting as a subcontractor, is currently tooling up to make tens of thousands of special five-round clips for the U.S. military. And, in another sign of acceptance by the industry, U.S.A. Magazines lately has supplied its wares directly to at least two large gun manufacturers: Colt's Manufacturing Co. and a unit of Brazil's Forjas Taurus SA. (Mr. Santizo won't discuss these relationships for fear of irritating corporate customers.)

Early on, he acknowledges, his products were inferior and jammed too often. But today, he says, they are as good as anyone's.

Some dealers remain skeptical. "He's a nice guy, but I don't use his magazines because the bad-apple rate is too high," says Bob Kahn, who owns two dealerships and a wholesale business in California. Bernie Esguerra, owner of Bernie's Sports Center in Norcross, Ga., complains about malfunctioning high-capacity clips he ordered from Mr. Santizo years ago but says newer U.S.A. Magazines products are working and selling.

As for the taint of assault weapons and big magazines that go with them, Mr. Santizo says high-capacity clips are a small and shrinking part of his business. But his marketing emphasizes these lines. His Web site, for example, prominently advertises his stock of pre-ban high-capacity merchandise for the AK-47 and TEC-9. And an ad in the June issue of Handgunner magazine notes that the company has a "good supply" of these high-capacity magazines.

U.S.A. Magazines is the one clip maker known to all gun foes. "In 1994, Congress declared that this product was against public policy," Dennis Henigan, legal director for Handgun Control Inc. in Washington,

says of the high-capacity clips. "This is a manufacturer who is acting in complete defiance of that public policy." Mr. Santizo's response: "I follow the law," and, in any event, magazines don't kill people; people do.

Antigun forces went after Mr. Santizo once but failed. In 1993, a disgruntled client of a San Francisco law firm used a pair of TEC-9s equipped with U.S.A. Magazines clips to kill eight people at the firm. Represented by Mr. Henigan, victims' families sued Mr. Santizo's company, as well as the gun's maker, Navegar Inc. of Miami. The trial judge dismissed U.S.A. Magazines from the case in 1996, saying that it couldn't be held liable for the criminal use of its legally marketed products; the case against Navegar was thrown out in 1997 on similar grounds.

When Mr. Henigan and other lawyers planned the municipal suits against gun manufacturers and distributors that began last fall and now involve about 20 cities and counties, they left out magazine makers. "The gun is more obviously the cause of the problem," says Mr. Henigan. To many people, he adds, a clip "is just a box with a spring."

Mr. Santizo would be affected by pending legislative proposals, but hardly deterred. A bill moving toward passage in the California legislature would ban the sale of

any high-capacity magazines in the state. Mr. Santizo says he would just have to move his big clips out of state and sell them from there. A provision recently approved by the U.S. Senate that would ban importation of high-capacity magazines actually could help him by reducing foreign competition. And as in the past, the current controversy has been pumping up sales.

Acting through the American Shooting Sports Council, however, Mr. Santizo and other industry figures have responded to the school shootings, the calls for legislative action and the lawsuits by proposing modest reforms. They have backed instituting background checks for all sales at gun shows, for instance, and raising the minimum age for handgun possession to 21 from 18. In light of heightened interest in child safety, U.S.A. Magazines will soon start manufacturing an innovative gun lock for semiautomatic pistols.

Mr. Santizo says that he is also amending his own marketing. After an article in The Wall Street Journal last December mentioned one of his ads hawking 10-round magazines—"Any better, and they would be illegal," the ad boasted—he says he decided to stop running the slogan. "I was being too cute," he says.

—Philip Connors
contributed to this article

2/2

Firearm Firms, Amid Rising Litigation, Take Steps to Reduce Criminal Gun Use

By VANESSA O'CONNELL
And PAUL M. BARRETT

Staff Reporters of THE WALL STREET JOURNAL

Facing mounting antigun litigation, several firearm manufacturers are taking steps they hope will be seen as efforts to keep guns out of criminal hands and enable law-enforcement agencies to catch criminals more quickly.

The steps, although modest, are significant because they represent the first tacit acknowledgements within the gun industry that manufacturers can do more to control how guns are marketed and sold, and perhaps to reduce gun crime. Until now, gun makers have responded to lawsuits by arguing that there is little they can do to control what happens to firearms once they leave the factory.

Smith & Wesson Corp., Springfield, Mass., for example, is preparing to overhaul its relationship with gun retailers, creating a more restrictive contract with its authorized dealers, according to a gun-industry veteran familiar with the company's plans. The dealer contract is expected to include a prohibition on any sales at gun shows, which are events similar to flea markets that authorities say are an important source of weapons for criminals, according to the person familiar with Smith & Wesson's plans.

Ken Jorgensen, the company's spokesman, said he wasn't "aware of any specifics" but added that Smith & Wesson, a unit of Britain's Tomkins PLC, is "always looking at ways to enhance the relationship" with dealers.

Talks on Gun-Sale Supervision

Colt's Manufacturing Co., meanwhile, is discussing with the New York state attorney general's office ways that the company might be willing to supervise more aggressively the selling of its guns. Colt's is attempting to persuade New York to leave it out of a lawsuit that Attorney General Eliot Spitzer is considering filing against the industry.

Colt's, West Hartford, Conn., is also taking a closer look at its wholesalers. "We have thinned our ranks of distributors from over 100 to under 20 and are continuously refining our performance criteria for them," said Steven Sliwa, the company's chief executive. He added that, in an effort to be more responsive to police agencies, Colt's has begun using law-enforcement data to examine "trends" in the criminal use of its weapons—a step that until now gun makers have strongly resisted.

Beemiller Inc., the Mansfield, Ohio, maker of inexpensive Hi-Point guns that are said by police to be favored by criminals, will soon begin putting serial numbers inside its carbine rifles, rather than in plain view, making it more difficult for criminals to obliterate them. The company has also begun cutting back on the number of chrome-plated guns it produces, after recognizing by means of trace requests from the federal Bureau of Alcohol, Tobacco and Firearms, that criminals tend to prefer the shiny guns, said Tom Deeb, president of the company.

The changes, Mr. Deeb explained, are intended to "make me look good to law en-

forcement" and antigun groups. Lawsuits filed by gun foes on behalf of 23 cities and counties around the country are "forcing me to say, 'I am going to do more for safety,'" Mr. Deeb added.

Cities Plan Legal Strategy

These developments aren't likely to blunt the burgeoning litigation soon. Lawyers for a number of municipalities met on Monday in San Francisco to plot strategy for pretrial investigation of the industry, said Patrick Coughlin, an attorney representing San Francisco and several other California municipalities. Referring to the discussions between Colt's and New York, Mr. Coughlin said, "We don't know enough yet about this industry to talk about resolving suits."

For their part, some of the gun companies are also maintaining a bellicose stance. "My clients aren't going to talk to any government entity that is suing them or saying false things about them in the press," said Timothy Bumann, an attorney for Brazil's Forjas Taurus SA and its U.S. unit. Mr. Bumann added, however, that Taurus would be willing to discuss with officials that hadn't sued the company, such as New York's Mr. Spitzer, ways that gun makers could do more to assist the ATF trace crime guns.

Some of the ideas under discussion with Mr. Spitzer's office build on noncontroversial developments already under way. For example, the office has discussed with Colt's the company's possible participation in an ATF program, under which the federal agency is working with other gun companies to assemble a computerized database of the unique markings that guns leave on bullets. The still-unproven program involves the recording of these markings by firing all new guns at the factory so that the ATF eventually can use the database to identify guns used in crimes based on bullets left at shooting scenes.

Richard Esposito, a spokesman for Colt's, stressed the preliminary nature of his company's dealings with the New York attorney general's office. The company "was invited to and did attend one meeting with the attorney general of New York," the Colt's spokesman said. "But during that meeting, Colt pointed out that the meeting should take place with a [gun industry] trade group," rather than with Colt's individually. In fact, the attorney general's office has held discussions recently with Robert Delfay, head of the National Shooting Sports Foundation, an industry trade group. Those discussions are aimed at hammering out a code of conduct for the industry as a whole, according to people familiar with the talks. The talks were expected to continue last night.

Mr. Delfay said, "I can't confirm or deny" the discussions.

The involvement of the trade organization, with its broad constituency of companies, could slow, if not stall, talks on substantive concessions the industry might make. An official with the attorney general's office who is familiar with the discussions with the industry said the talks could be "in a holding pattern for several weeks."

THE WALL STREET JOURNAL

THURSDAY, JULY 22, 1999

Exxon Net Falls by 26% as Weakness In Refining Offsets Crude-Price Rise

By STEVE LIESMAN

Staff Reporter of THE WALL STREET JOURNAL

Exxon Corp. said net income fell 26% in the second quarter as lower refining and chemicals profits offset higher crude prices.

Exxon is the first of the major oil companies to report, and its results suggest that hopes for pleasant earnings surprises for the second quarter might not pan out. The oil giant met Wall Street's expectations, but some analysts had hoped the doubling of crude-oil prices this year to nearly \$20 a barrel would result in somewhat higher-than-predicted profits.

"The fact that they didn't surprise positively is a little discouraging," said James Clark, oil analyst at CS First Boston.

Exxon, Irving, Texas, said net income dropped to \$1.21 billion in the quarter, or 49 cents a diluted share, from \$1.62 billion, or 65 cents a share, one year ago. Revenue was virtually flat at \$29.42 billion, compared with \$29.37 billion last year.

Analysts said the major oil companies should do better in the third quarter as profit margins pick up across their oil, natural-gas, chemicals and refining businesses. "You have all four cylinders in an improving state," says Frederick Leuffer, an oil analyst at Bear Stearns in New York. "I think the numbers will be up pretty strongly."

Exxon's stock gained 18.75 cents in New York Stock Exchange composite trading yesterday to close at \$78.125.

Chemicals Profit Falls

Exxon's refining and marketing divisions registered a surprisingly weak performance. Refining earnings fell 75% to \$158 million in the quarter. Lee Raymond, Exxon's chairman and chief executive officer, said the decline reflected the inability of oil companies to raise prices for gasoline and other oil products as quickly as crude costs shot up.

Chemicals earnings fell 7%, to \$274 million as higher volumes failed to make up for lower prices and higher feedstock costs.

Average crude-oil prices were \$4 a barrel higher than in the first quarter and about \$2 a barrel higher than a year ago, but the boost on the exploration and production side wasn't enough to make up for the fall in refining margins. Upstream earnings grew just 12% to \$769 million from \$684 million in the year-ago quarter as a 16% drop in natural-gas prices in Europe and a lesser drop in the U.S. weighed on the results.

Possible Sign of Trouble

Mr. Clark, the CS First Boston analyst, noted that Exxon's oil and gas production growth has failed to keep up with management's forecasts. The company projected 4.5% growth for its international crude-oil production this year, but production year-to-date has declined 2.7% from a year ago.

Mr. Clark said that production numbers could be a sign of trouble if Exxon is underestimating the costs of increasing its production, particularly if the company will

have to spend more to produce more, and then cut costs to maintain margins. But he said actual volume doesn't matter if Exxon continues to show profits.

Exxon is now saying oil production will be about flat this year and that it missed its targets because of pipeline problems in Alaska, spending cutbacks in response to low first-quarter oil prices and production delays at two Norwegian projects.

Mr. Leuffer of Bear Stearns said the best performers in the second quarter would be oil companies that derive most of their revenue from crude oil and have West Coast refining operations, such as Atlantic Richfield Corp. He said the poorest results are expected to come from companies such as Exxon that have substantial refining assets on the Gulf Coast and in Europe.

Big Oil Opposes Complaint Against Foreign Producers

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON—Major oil companies are opposing a dumping petition that could impose steep tariffs on some foreign oil producers.

The U.S. Commerce Department is now considering the standing of several big oil companies in a complaint filed by mostly small independent producers known as Save Domestic Oil Inc. Last month, the group accused Mexico, Venezuela, Saudi Arabia and Iraq of selling oil below cost in the U.S. during the recent downturn in oil prices. The four countries deny the allegations and have geared up to fight them.

If the petition is successful, tariffs of 33% to 157% could be imposed on crude-oil imports from the four countries.

Since the complaint was filed, Exxon Corp., Chevron Corp., Texaco Inc. and other major oil companies have come out strongly against the dumping measure, saying it could substantially increase oil and gasoline prices in the U.S. An industry trade group, the American Petroleum Institute, yesterday weighed in with a letter to President Clinton, arguing that the case shouldn't proceed "due to a lack of adequate U.S. oil-industry support."

The independent oil producers that filed the complaint argue that Commerce should disregard the big oil companies because they are also importers of foreign oil and have joint ventures and other relations with the foreign countries.

THE WALL STREET JOURNAL

THURSDAY, JULY 22, 1999

Gun Industry and Mayors, Sometimes at Odds, Become Partners Against Crime

By MICHAEL JANOFFSKY

RENO, June 21 — Against the vivid backdrop of recent fatal school shootings, elected officials across the country for the first time are coordinating efforts, sometimes with unlikely partners, to reduce the incidents of gun violence.

In perhaps the most unusual of the collaborations, Mayor Edward G. Rendell of Philadelphia has agreed to join forces with the National Rifle Association to create a model program in Philadelphia to test one of the N.R.A.'s core beliefs, that vigorous prosecution of people who violate Federal gun laws would eliminate more violent crime than tighter gun control laws.

In a broader effort, representatives of the nation's firearms industry have formed a task force with several mayors and county executives to study innovative ways to prevent guns from getting into the hands of children and criminals.

Mr. Rendell's pending collaboration with the N.R.A. arose out of a challenge by the association's new president, the actor Charlton Heston. At the N.R.A.'s convention two weeks ago in Philadelphia — to which Mr. Rendell was not invited because of his support for tighter gun control measures — Mr. Heston proposed

that the Federal Government designate one large city to test the N.R.A.'s theory that most gun violence occurs because the criminal justice system is not tough enough on criminals.

Mr. Heston suggested Philadelphia might be a good test case, because homicide rates there have held steady over the last decade, at more than 400 a year, despite what Mr. Rendell says have been vigorous prosecutions and harsh prison sentences.

In a letter he sent to Mr. Heston last week, the Mayor said he would accept the challenge, conceding that a partnership between Philadelphia and the N.R.A. "would produce dramatic results" in reducing the sale of handguns to criminals and the level of gun violence in a city where it has become commonplace.

To win approval for a three-year program that would likely cost as much as \$5 million to send extra Federal prosecutors and agents into Philadelphia, the N.R.A. has agreed to lobby Congress for support, and Mr. Rendell has agreed to what may be the more formidable task, winning the backing of the Clinton Administration.

"I think they'll get Congress's support," Mr. Rendell said in an interview here, where he addressed the

United States Conference of Mayors today. "The question is whether the Administration will support it."

Wayne R. LaPierre, executive director of the N.R.A., said in a telephone interview that he has assurances from Senator Trent Lott of Mississippi, the majority leader, and Speaker Newt Gingrich of Georgia, that they would "work to provide any resources needed" to create the program.

"With the N.R.A., the Congress and Mayor Rendell standing shoulder to shoulder on the streets of Philadelphia," Mr. LaPierre said, "the only question is whether the White House will be on the street with us."

Lynn G. Cutler, a senior White House official attending the conference, predicted that the President would be receptive to exploring the idea even though Mr. Heston sharply attacked him politically and personally at the N.R.A. convention.

Mr. Rendell also played a hand in creating the task force. During the N.R.A. convention, he and several other mayors, including Scott King of Gary, Ind., and Clarence Harmon of St. Louis, met with representatives of the gun industry and agreed they would spend six months developing ideas aimed at reducing crimes committed with guns but not infringing upon the rights of law-abiding citi-

Focusing on criminals, not lawful gun owners.

zens to own guns.

"We have to do something," Mr. Rendell said in his speech here today. "Guns are making life in our cities intolerable."

In the speech, Mr. Rendell outlined issues the task force intends to study, including these:

¶ Rather than encourage states to pass "one-gun-a-month" legislation, as some have, much to the annoyance of gun control opponents, Mr. Rendell said states might consider legislation focused on preventing one person from buying firearms for another, just to sell on the streets.

¶ Many guns are stolen from dealers and distributors. The task force plans to consider how security around guns in transit might be tightened.

¶ While ammunition makers have already stopped producing armor-piercing bullets and clips that hold more than 10 rounds, the group will look for ways to buy back those that

remain on gun store shelves.

¶ In what Mr. Rendell called an initiative that has "the most potential of all," the group is discussing ways gun makers can step up development of technologies that would make it difficult or impossible for a gun to be discharged by anyone but its owner.

Richard J. Feldman, executive director of the American Shooting Sports Council, which represents the gun industry's manufacturers, distributors and retailers, followed Mr. Rendell to the microphone today and told the mayors that his organization was no less frustrated with gun violence in America than they were.

But Mr. Feldman drew sharp distinctions with those who believe an overall reduction in gun sales would ease the problem of gun violence. Reminding the audience of President Clinton's initiative to put 100,000 more police officers on the streets, a major part of the 1994 crime bill, Mr. Feldman said, "That's 100,000 more guns on the street. The issue isn't guns or the number; it's in whose hands are they?"

Mr. Rendell was especially insistent that technological advances could ultimately make the biggest difference in preventing children and criminals from using guns. Computer chips that would "personalize"

guns for the owner, he said, would eliminate straw purchases and make the theft of guns useless.

Addressing the industry's concern that such technology is too expensive, Mr. Rendell pointed to the resistance of car makers 20 years ago to installing air bags. "Now," he said, "they are voluntarily putting in side air bags because the American public wants them."

But Mr. Feldman cautioned against expecting too much from technology. He said much of the technology under development would render guns useless only for a moment and that 5 or 10 minutes later, they could be discharged by someone other than the owner.

At that, Mr. Rendell pulled the microphone from Mr. Feldman and said, "If we can do the first, we can probably do the second. There's no excuse for not developing that technology."

In an interview later, Mr. Feldman held his cautious position, saying that any practical advances would take up to a decade to refine and even then would likely be available only to law-enforcement agencies.

"Any time you look for an easy fix for the violent crime in America, you find yourself looking at things that won't work," he said. "It's better to take a series of smaller steps."

PHOTOCOPY
PRESERVATION

New York Times
6/22/98

Gun manufacturer favors gun control By Henry Goldman Knight Ridder Newspapers (KRT)

WEST HARTFORD, Conn. Ronald L. Stewart is unique among the nation's gun manufacturers. He favors a form of national gun control.

Stewart, the chief executive officer of Colt's Manufacturing Co., advocates a comprehensive federal firearms law, including the creation of a federal gun permit. And he wants gun owners to be licensed, tested and subjected to mandatory safety training.

These views have made him a pariah in the gun community.

On gun-friendly Web sites, there have been calls for a boycott of Colt's handguns and rifles. "The actions of Colt's officials are detrimental to American-style freedoms and liberties!" wrote one recent contributor to the GunsSaveLives Internet Discussion List.

In an interview at the headquarters of the 162-year-old company, Stewart said his views were based on the assumption that increased government regulation was inevitable.

"I'm just searching for a middle-of-the-road position, and that's why I've taken such a beating from others in the industry," he said. "They want me to just go along with something that the public increasingly sees as an extreme view."

For gun manufacturers and distributors, he said, federal regulation would be far easier to live with than separate laws for each state. And licensing and testing of gun users, he said, is no more onerous, and no less reasonable, than licensing and testing of those who drive automobiles.

"I'm trying to address the question of how do you operate the gun safely so that you don't injure somebody," he said. "It doesn't make sense to stake out a position that is perceived by the public to be anti-safety. . . ."

"I'm not a gun nut," Stewart said. "I'm not even a member of the NRA."

More often than not, Stewart said, he supports the National Rifle Association's positions on issues. But the NRA, according to chief executive officer Wayne LaPierre, has "never been in favor of a federal permit and never will be."

Some of Stewart's critics say his gun-control proposals are motivated more to promote Colt than to enhance public safety.

"I think there are many who feel, rightly or wrongly, he has staked out these positions to curry favor with police departments and with those in the federal government, who would & 1/8 be able to & 3/8 influence the success of their product," said Dave Tinker, publisher of Firearms Business, a trade publication.

Stewart denies such accusations, which were also made by the Coalition of New Jersey Sportsmen in a flyer distributed widely at the NRA convention in Philadelphia last month.

But there is no question that Stewart has developed a business strategy intended more for insulating Colt from government regulations than fighting them.

In a highly fragmented and competitive market that has been stagnant for five years, he hopes to capture an increased share of the law-enforcement market -- and ultimately the home-user market -- through so-called smart-gun technology while expanding military sales overseas.

While Stewart sees himself as eminently reasonable, others in the gun industry depict him as a heretic.

"He's definitely espousing views about our industry that are out of step with opinions held by manufacturers and gun owners, and it is a matter of great concern to us," said Georgia Nichols, vice president and general counsel of Connecticut-based O.F. Mossberg & Sons, which makes shotguns and other firearms.

In May, Stewart resigned from the board of the American Shooting Sports Council, an Atlanta-based trade group, after the council attacked the Clinton administration's ban on imported assault weapons.

What upset Stewart was that the council, in launching its attack, said that one reason to permit such imports was that they are no different from domestic products such as the AR-15, a semiautomatic rifle Colt makes.

Stewart's declaration of independence from the rest of the industry came in December when he wrote a guest editorial in American Firearms Industry magazine. While he attacked the antigun lobby, he also endorsed federal regulation.

Strangely enough, his alienation from the rest of the industry had its first public manifestation two months earlier, when he appeared to be taking an anti-safety stance.

There was a ceremony at the White House at which 10 gun

executives told President Clinton they would voluntarily ship child-safe locks with their products. Since then, 16 more gun-makers have signed on. But Stewart was not at the White House and has not signed on.

"Why is it that everyone else feels that it's a good idea and he doesn't?" asked Richard Feldman, director of the American Shooting Sports Council, which organized the event. "We've given people what they need to help prevent someone, particularly a child, from negligently using the gun."

Stewart, who called the White House announcement "a dog-and-pony show," said such locks are unreliable and give a false sense of security when used on a loaded gun. He said he expects lawsuits when locked guns accidentally fire.

The real way to prevent accidents, Stewart said, is the "smart gun," designed to prevent a gun from being fired by anyone but the intended operator.

Stewart claims his company is ahead in developing such a gun, using a microchip worn on the shooter that will transmit a signal to a receiving chip inside the gun.

One prototype has been tested with mixed results; a second will be available by the end of August, Stewart said. If all goes well, the company will be ready to make the guns available to police departments for testing within two years, he said.

Colt sees a big market in law enforcement; 16 percent of all shootings of police officers occur when their guns are grabbed out of their hands or holsters by criminals. Currently, Colt has almost no share of the police market.

"It's a technology that you can't ignore, and it has the potential not just to save a lot of police lives, but to safeguard weapons purchased for home use, keep them out of the hands of thieves or kids, people who shouldn't have them," said Paul Bolton, who heads the International Association of Chiefs of Police.

Gun sales to police departments, usually at cost, do not create profits, but the prestige of being chosen as a law-enforcement weapon creates profitable sales in the commercial market, Stewart said.

Why are others in the industry so distrustful of Stewart and so quick to question his motives?

One reason is that Stewart, 56, is an outsider, according to Tinker, the publisher of Firearms Business. Stewart became Colt's president in 1996, after 22 years at Chrysler and a working lifetime in the automobile industry. He was brought in after the company had been in bankruptcy and had been purchased by a limited partnership headed by Donald Zilkha, a New York financier.

Managed care becomes campaign issue By Robert Dodge Dallas Morning News (KRT)

WASHINGTON Growing public angst over access to quality health care surfaced recently when movie-goers saw the popular film, "As Good As It Gets."

As the character played by actress Helen Hunt expressed her frustration with getting care for her asthmatic son, audiences responded with hoots, laughs and applause.

With more people than ever in managed care plans, public anger about the quality of treatment has boiled into a campaign issue. Concerns about access to care and quality are being debated in congressional and state political races, including the Texas gubernatorial campaign.

And on Capitol Hill, lawmakers are rushing to craft legislation that would give consumers new protections. With less than 40 legislative days left before Congress adjourns on Oct. 9, Republican leaders are trying to deal with a ground swell of bipartisan support to enact a bill before the fall elections.

"Politicians are in a feeding frenzy," said Mark Merritt, a vice president at the American Association of Health Plans, a Washington trade group representing more than 1,000 managed care providers, such as health maintenance and preferred provider organizations.

With tobacco legislation dead, managed care has emerged as one of the hottest political debates facing lawmakers.

On Sunday, the issue of patient's bill of rights and Health Maintenance Organizations also dominated the television talk shows.

"The Republicans just woke up and decided there is an issue and they were being left in the dust," said Rep. Martin Frost, D-Dallas, chairman of the Democratic Congressional Campaign Committee.

Republican leaders say they have been hesitant because they are

The vision thing in the District

Sharon Pratt Kelly, during the campaign that brought the city its four-year respite between Marion Barry's first three turns and the current tumultuous one, famously dubbed her D.C. council member opponents the "three blind mice." The epithet stuck. And wouldn't you know, voters have begun polishing off the little ditty and spouting it anew.

"Is Anthony Williams the alternative to the three blind mice?" a voter queried this page the other day, before adding that neither Harold Brazil, Kevin Chavous nor Jack Evans, all seeking the mayor's job for the first time, has proven himself. "Doesn't matter which sees, hears or speaks no evil, they all had a hand in the city's undoing."

Another voter says, "The only problem with Tony Williams is he has no slogan, no catchy phrase." True. Mr. Williams occasionally has, in his attempts to set himself apart from the pack, referred to himself as the "man behind the curtain." Not bad, but it doesn't say much. In fact, he is the candidate who has neither been there nor done that — he hasn't held elective office in the District, and he did not contribute to its financial hardship, either. To the contrary, it fell to Mr. Williams, the former chief financial officer, and his cadre of whizzes to stabilize the city's pitiful finances. His successes in two short years were enough to attract a persuasive and diverse band of supporters who subsequently drafted the bean-counter extraordinaire into the mayor's race.

Mr. Williams, who was embraced last week by the Washington Teachers Union for his proposal to put resources in the classrooms where students are instead of downtown where administrators lurk, has seen into the darkest corners of D.C. finances — more clearly than anyone before. He has also seen his share of abuse while CFO. He has taken it, learned from it and dealt with it.

What have the others seen? How's their vision? Well, Mr. Brazil, his colleagues have said, does not

see much of what goes on except what's happening on the council dais. That is fairly evident from the verbal sparring matches he gets into with fellow at-large member David Catania. Mr. Brazil has a lot to say then, and during his childish T-shirt pranks, wherein he whips off his jacket during a serious council session to display a T-shirt emblazoned with a slogan that articulates his position on certain issues, such as funding for the new convention center. Too bad he isn't always as effective a communicator as his T-shirt makers.

Mr. Chavous, meanwhile, sees a lot of what's going on in his own Ward 7, and in the troubled public schools and libraries, which his council committee oversee. Unfortunately, Mr. Chavous tends to do his seeing, and his huffing and puffing, after the fact, once it has become clear there's someone to blame. Mr. Chavous is a little more shortsighted up front — and reticent constructive rhetoric.

That brings us to Mr. Evans, chairman of the council's Judiciary Committee. Mr. Evans is as opinionated as they come, but really, how good is his vision? What about former Chief Larry Soulsby and the problems within the Metropolitan Police Department. Did he see them there, or did he miss them? Mr. Soulsby resigned amid a firestorm of allegations of mismanagement and ethical breeches. If Mr. Evans saw the problems, he stayed pretty mum about them.

Now he and his partners on the council — all of whom were aboard when the city ran into troubled waters — want to be mayor. Now that Tony Williams and the control board have steadied the city's course toward transformation, Mr. Brazil, Mr. Chavous and Mr. Evans are willing to share the credit for turning the city around. That's large of them. What those three actually share is a measure of the blame for what went wrong — or at least for a certain blindness when faced with the emergence of the District's very real problems.

The Washington Times

MONDAY, JULY 13, 1998

Cracks begin to show along pro-gun front

Divisions between 2 men who represent industry and owners mirror a larger fracturing that's weakening the weapons lobby

By Wendy Koch
USA TODAY

WASHINGTON — As the National Rifle Association braces this week for perhaps its toughest fight ever in the House of Representatives, it faces dissent from two men at opposite ends of the gun lobby.

Representing one end is Robert Ricker, a lobbyist for gunmakers, who's willing to negotiate gun restrictions. Ricker concedes that some people in his business feel embarrassed by the part guns played in the school massacre in Littleton, Colo. He thinks the NRA, which has long dominated pro-gun forces, has lost "a lot of credibility" with its hard-line stands.

At the other end is Larry Pratt, the head of Gun Owners of America, who opposes all gun control. Pratt won't even talk of compromise and prefers confrontation. He feels safest carrying a loaded gun, even when grocery shopping. To him, Ricker is selling out, and the NRA is going soft.

The two men are both amiable suburban fathers of four, but their different approaches show the increasingly deep fissures in the gun lobby. The divisions undercut the NRA when it battled gun control in the Senate last month. Although the NRA is better organized now, it could face the same dilemma when the House votes on Senate-passed gun restrictions as early as Wednesday.



Pratt Opposes all gun control

Although Pratt makes the NRA appear almost centrist by comparison, he also undermines support for NRA-backed compromises.

A shifting debate

The pro-gun forces have always had their differences, but the shifting nature of gun control has amplified them. Before 1990, the debate focused on gun owners, specifically on whether and how their rights should be limited.

Now, there's a growing look at the design and distribution of guns themselves. Since November, more than a dozen cities have filed lawsuits against gunmakers, charging that they make guns without safety features or knowingly market them to areas with lax gun laws.

Ricker, 48, executive director of the American Shooting Sports Council, argues that his industry needs to improve its public image and appear responsible, because its very existence is threatened.

"We're not like tobacco companies," he says. "We can't just buy our way out of this."

On shaky ground

So Ricker is sitting down with mayors and even President Clinton, whose attacks on the NRA have become increasingly harsh.

Unlike the NRA's Baker who was not invited, Ricker attended last month's White House summit on youth violence. He agreed to support several gun-control measures that the NRA opposes, such as raising the age for handgun purchases from 18 to 21 and holding parents criminally liable if their children misuse their guns. The House is likely to vote on each proposal.

Perhaps most upsetting to the NRA was Ricker's support for the final version of a Senate measure that requires background checks on all buyers at gun shows. His support helped the measure squeak by on a

51-50 vote, with Vice President Gore casting the tiebreaker.

Ricker knows he's on shaky ground. Though he says most gunmakers are with him, some are not. In recent days, he's received hundreds of phone calls from outraged gun owners who say he's a "traitor" and ought to resign. Several callers say the NRA alerted them.

Baker denies orchestrating the calls but says he will continue to let gunmakers know when Ricker takes steps the industry might not support. Ricker's predecessor, Richard Feldman, who was ousted in March, says he received death threats after attending a 1997 White House meeting at which gunmakers voluntarily agreed to include child-safety locks with their guns. He says Baker also walked up to him at a wholesalers' show and said: "This isn't over. I'll get you." Baker denies it.

Looking for a demon

Pratt, meanwhile, argues that the NRA has been too conciliatory. The rifle association supports background checks at gun shows as long

as they are completed within 24 hours and the records are immediately expunged. He says the checks will lead to gun registration.

"Gun control basically kills," says Pratt, sipping black coffee in an office with the blinds closed. The problem at Columbine High School, he says, is that none of the adults was armed. He says children should be allowed to take guns to school for target practice.

Pratt, 56, has led his group for 23 years and has occasionally also dabbled in conservative GOP politics. He says most Americans still support the right to bear arms. "The Republicans have read the wrong polls, and they're fixing to lose the next election," he warns.

Baker says Pratt's strident rhetoric is designed to boost contributions to his group, the same charge Ricker levels at the NRA.

"The more you can scare the gun owner, the more he'll part with that \$10 or \$15," Ricker says. "There has to be a demon out there."

Baker acknowledges that the legislative threat has been good for fundraising.

On that, they all agree.

Broken pledges outrage term-limits activists

Group attacks politicians who won't retire

By Kathy Kiely
USA TODAY

WASHINGTON — Five years ago, newly elected Rep. George Nethercutt, R-Wash., was the darling of the term-limits movement. Now, he's Public Enemy No. 1.

By announcing Sunday that he will break the pledge he made to retire from Congress next year, Nethercutt earned the wrath of the same activists who helped him pull off the upset of the year in 1994.

Nethercutt's decision could help Republicans retain their slim majority in the House of Representatives, but it was a blow to term-limits advocates, who in 1994 spent \$300,000 helping him knock then-Speaker Tom Foley out of the House seat he occupied for three decades.

Term-limits proponents are prepared to spend even more to oust Nethercutt. This spring, the movement's leading advocacy group, U.S. Term Limits, mounted a \$100,000 "Keep Your Word, George" campaign in Nethercutt's district. U.S. Term Limits director Paul Jacob said Monday, "that will look like a token effort" compared to what his group has planned for next year.



By Jeff T. Green, AP

Nethercutt: Changed his mind and will seek re-election in 2000

"We are prepared to really go all out," said Jacob, who calls Nethercutt the "Benedict Arnold" of the term-limits movement.

It's not yet clear who will run against Nethercutt, but Democrats said they'll target him. Nethercutt insisted he won't run a negative campaign. But he said he will point out that U.S. Term Limits "is an outside group with money coming from outside the district" and that Jacob served a five-month jail term 20 years ago when he resisted a military draft. He was chairman of the Arkan-



By Patricia McDonnell, AP

Meehan: Says his support of term limits was 'boneheaded'

sas Libertarian Party at the time.

The race could be a key test for the term-limits movement, which has for the moment given up on trying to pass an amendment to the Constitution and is instead trying to persuade politicians to limit their terms voluntarily. Whether term-limits advocates have the political muscle to enforce those pledges could have a big impact on the 59 incumbent members of Congress who have promised to leave between now and 2010.

Of the 10 House members who pledged to step down after next year,

Some keep their pledges, some don't

Members of the House who pledged to serve a maximum number of terms when they were elected, and their election plans for 2000.

House member	Year elected	Terms pledged to serve	Election plans for 2000
Matt Salmon, R-Ariz.	1994	3	Not running
Scott McInnis, R-Colo.	1992	3 or 4	Seeking a 5th
Tillie Fowler, R-Fla.	1992	4	May seek a 5th
Charles Canady, R-Fla.	1992	4	Not running
Helen Chenoweth, R-Idaho	1994	3	Not running
Marty Meehan, D-Mass.	1992	4	Seeking a 5th
Tom Coburn, R-Okla.	1994	3	Not running
Mark Sanford, R-S.C.	1994	3	Not running
Jack Metcalf, R-Wash.	1994	3	Not running
George Nethercutt, R-Wash.	1994	3	Seeking a 4th

Source: U.S. Term Limits; USA TODAY interviews with congressional staff

three have reneged, according to a U.S. Term Limits list. Besides Nethercutt, they are Reps. Marty Meehan, D-Mass., and Scott McInnis, R-Colo. Rep. Tillie Fowler, R-Fla., is waffling.

The six who are keeping their pledges are all Republicans, which could hamper the GOP's efforts to hold onto its 11-vote House majority in next year's elections. As a result, officials at the National Republican Congressional Campaign are hailing Nethercutt's decision.

"We're glad he's running, and we'll do anything we can to support him," spokeswoman Jill Schroeder said.

Those who are breaking their term-limits pledges are gulping crow.

"I had a change of heart. I made a mistake. It's hard for politicians to admit that," Nethercutt said in an interview Monday. Nethercutt said he still favors term limits but doesn't think his district should lose a veteran member of Congress when others aren't. But he now thinks 12 years is a more reasonable limit than six. "I came to Congress wanting to make

changes quickly and found that you can't do it," he said.

Meehan, who in 1995 went so far as to write a letter to the House clerk pre-emptively resigning in the event he was elected to a fifth House term in 2000, now considers his support of term limits "boneheaded."

McInnis' spokesman, Will Bos, argued that his boss should not be on this year's list of term-limits scofflaws — not because he didn't break his pledge but because he did so a year ago when he ran for a fourth term.

Fowler, who put constituents on notice late last year that she might want to seek an extension on her four-term pledge, said her new job as vice-chairman of the Republican conference gives "our district a voice at the leadership table."

Even some lawmakers who are honoring their pledges have second thoughts.

Rep. Helen Chenoweth, R-Idaho, said, "Experience has vastly changed my perspective."

But Rep. Mark Sanford, R-S.C., said he's "disappointed" in his colleagues who broke their pledges. "People don't keep their word in Washington," Sanford said. "And that hurts our credibility."

Unified Stance Expected as Gun Council Merges With Bigger Industry Group

By PAUL M. BARRETT
Staff Reporter of THE WALL STREET JOURNAL

A conciliatory gun-industry group was folded into a larger industry organization, signaling that the firearm business will take a tougher, more unified stance in the face of municipal lawsuits and congressional efforts to stiffen federal regulation.

The board of directors of the American Shooting Sports Council unanimously agreed to merge the group into the larger National Shooting Sports Foundation, which has struggled to rein in ASSC efforts to compromise with the industry's antagonists.

The most immediate effect of the move will be the effective demotion of the ASSC's aggressive executive director, Robert Ricker. His efforts to open negotiations with lawyers representing cities suing the industry, while also supporting modest gun-control provisions favored by the Clinton administration, had provoked outrage among more hard-line industry elements.

Mr. Ricker said in an interview from his Washington office, "I'm here, I'm working, but a lot of things are up in the air. I haven't been given any new marching orders yet."

Other firearm-industry representatives maintained that talks could continue with lawyers for the nearly two-dozen municipalities that have sued gun makers and distributors for costs related to gun violence. "I am hopeful and confident that talks might be possible," Robert Delfay, executive director of the National Shooting Sports Foundation, said. "But we would enter into them with the widest possible industry endorsement, and therefore it might take more than a few days" to reach a consensus among his constituents, he added.

Mr. Delfay and his industry allies have

privately been criticizing Mr. Ricker for moving too quickly and without the backing of more than a few gun companies. The National Rifle Association, which represents gun owners, has similarly been critical behind the scenes of Mr. Ricker's efforts to negotiate with John Coale, a lawyer representing New Orleans and three other cities suing the industry.

Mr. Coale, while generally displeased about Mr. Ricker's demotion, said he hoped to speak with Mr. Delfay and other members of the reformulated industry team. "I am optimistic that we can continue to explore common ground that will lead to fruitful settlement talks," the lawyer said.

But yesterday's move, which had been expected within industry circles, will strengthen the hand of outside industry lawyers, who resisted Mr. Ricker's attempt to truncate the litigation. Most of those outside lawyers believe they can defeat the suits at preliminary stages without their clients having to agree to pay settlement money or submit to more restrictions of their manufacturing or marketing practices.

On the legislative front, the demise of the ASSC means that the gun industry will resist compromise more forcefully. For example, Mr. Ricker had endorsed the Clinton proposal of raising the legal age for handgun possession to 21 from 18. The industry will now unambiguously oppose that provision, Mr. Delfay said.

Similarly, Mr. Ricker had lobbied for a provision approved by the Senate that would require background checks for all purchases at gun shows, along with a 72-hour waiting period before buyers could obtain their guns. The industry will now support the gun show provision only if the waiting period is 24 hours.

THE WALL STREET JOURNAL

THURSDAY, JUNE 17, 1999

Consumer-Price Index Remained Flat in May

By ALEJANDRO BODIPO-MEMBA

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—Amid a surging housing market, consumer prices remained flat last month, easing fears of accelerating inflation though some signs of rising price pressure remain.

The Labor Department reported that the consumer-price index was unchanged in May, following an unexpected 0.7% rise in April. Economists agree that April's increase was fueled by a spike in energy prices related to the slowing of oil production by the Organization of Petroleum Exporting Countries in the first quarter.

Excluding the volatile food and energy components, the so-called core CPI rose a scant 0.1% last month, compared with a 0.4% increase in April. Declines in prices were posted for computers, tobacco, airline tickets and clothing.

In a separate report, the Federal Reserve said industrial production increased 0.2% last month, following a 0.4% increase in April. Led by a surge in auto production, the manufacturing-sector economy continued to recover, as output for May rose 0.4% to match the increases of the previous two months. Meanwhile, capacity utilization—a measure of the operating rate for factories—was at 80.5% for the third month in a row.

Financial markets applauded yesterday's reports. The Dow Jones Industrial

Average ended the day at 10784.95, up 189.96 points. The Treasury's benchmark 30-year bond rose 20/32, or \$6.25 for a bond with \$1,000 face value, while the yield eased to 6.059%.

"Currently, there are no real signs of inflation accelerating, but what's important is how inflation will fare six to 12 months down the road," said Mark Zandi, chief economist with Regional Financial Associates Inc. in West Chester, Pa.

Yesterday's good news on prices was accompanied by some housing-market developments that could concern inflation

watchers. The Commerce Department said May housing starts jumped 6.3% to 1.68 million units, compared with a 9.7% drop in April. The strong rebound was led by a 12.8% rise in single-family starts, which reached the highest monthly unit level—1.41 million—since December 1978. The May increase helped to offset an 18.3% drop in the multifamily sector.

Builders struggled to keep pace with consumer demand for new homes, as many homebuyers try to get into the market before mortgage rates get too high. The hous-

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ing surge illustrates the problem facing the Federal Reserve at the upcoming Federal Open Market Committee meeting: Should the Fed step in and slow down the fast-paced economy or should it let it cool down on its own?

"The recovery in manufacturing is just going to add fuel to the demand side of the economic fire going forward," said Timothy O'Neill, chief economist with Harris Bank/Bank of Montreal. "If an external shock was going to tone the economy down, it would have been the Asian financial crisis. Now if the heat is going to be turned down, it's got to be done by the Fed."

Meanwhile, import prices continue to edge up, as the economies of Europe and Japan improve. That news, combined with a tight labor market and upward pressure on wages, seems to portend inflation eventually will be reignited in the U.S., many observers say.

Most prominent is Fed Chairman Alan Greenspan. Appearing before Congress's Joint Economic Committee on Monday, Mr. Greenspan suggested that productivity gains that have tempered pressure to raise prices over the last several years may be reaching their limits.

"Ultimately, we can't sustain an economy at this rate of growth, and that's a Fed concern," said Mr. Zandi. "Labor-productivity growth can't keep pace with the fast-space economy, and I think Chairman Greenspan was preparing the markets for a tightening when he spoke on Monday."

But Microsoft Corp. Chairman Bill Gates told the Joint Economic Committee that technological advances would continue to add to already robust productivity gains well into the future. He shrugged off Mr. Greenspan's caution, predicting further productivity increases "for many, many years to come."

All figures in the reports are seasonally adjusted.

THE WALL STREET JOURNAL

THURSDAY, JUNE 17, 1999

Wages R. Prices Don Fed Reports

Many Labor Markets Termed Very Tight In May, Early June

By JOHN SIMONS

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—Extremely tight labor markets in many regions of the country are increasing pressure on employers to raise wages, though prices "remain well-behaved," according to a new Federal Reserve economic survey.

Labor markets show "no signs of easing in the foreseeable future," according to the Fed's survey of regional economic activity in May and early June. The increasingly shallow labor pool is forcing employers in most sectors of the economy to either raise workers' wages or offer more generous benefits packages. The new survey found more reports of wage pressures than previous ones.

In regions such as New York and Boston, for instance, retailers are using higher wages as a recruiting tool, largely to fill entry-level positions. Truck drivers, secretaries, legal assistants and workers with technical skills in the Dallas region are receiving fatter paychecks, according to employers. In the Chicago, St. Louis and Richmond, Va., regions, severe labor shortages are hampering employment growth in many sectors.

Though businesses in the Cleveland and Philadelphia regions report that wage pressures "have generally been held in check," they also noted that "rising benefits costs have become more common."

Pressures on businesses to lift wages once meant that inflation would soon fol-

low. But in recent years, as productivity growth has surged, those old patterns have yet to materialize. Businesses have very little pricing power. In May, for instance, prices remained "generally subdued," the Fed report noted. That theme was echoed in yesterday's Commerce Department release of the May consumer-price index, which showed prices held steady.

Some analysts nevertheless fret about renewed inflation, but Bruce Steinberg, an economist with Merrill Lynch in New York,

isn't one of them. He was nonplused by wage-pressure implications in the Fed's report. "Frankly, where is [inflation]? It's not in the data of the last three months," Mr. Steinberg said, observing that hourly wage growth has decelerated so far this year. Whatever the case, he said, tight labor markets don't "seem to be generating the kind of wage pressures that are worrisome."

Other economists, such as Rosanne Cahn of CS First Boston in New York, sug-

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gest a tempered view of the reported wage surge. "There is some anecdotal evidence that wages are rising. It's not that there's none of that going on. It's just that its prominence in other data sources is not as large as in the [Fed's periodic survey]," Ms. Cahn said. "Wage pressures are surprisingly mild, given the low unemployment rate."

As far as worker shortages go, technology jobs across the country are the most difficult for employers to fill. One Northern Virginia technology concern told Fed researchers that "anyone that can operate a personal computer can get a job."

Gun control separated from bill

By Wendy Koch
USA TODAY

WASHINGTON — In a surprise move, Republican leaders said Monday that the House of Representatives will consider gun control separately from other measures to curb youth violence.

Democrats denounced the move as an effort to change the subject and undermine support for new gun laws, but Republicans said it could improve the chances of passage.

The House had been scheduled to consider one juvenile-crime bill. It would include Senate-passed gun restrictions, sought by most Democrats, and measures to reduce media violence and toughen sentencing, favored by most Republicans.

Democrats said that by separating the two, Republicans are trying to destroy gun control. "It's an attempt to give the interest groups that want to kill the bill the best chance," said

House Minority Leader Dick Gephardt, D-Mo., referring to the National Rifle Association (NRA).

GOP leaders, who made the decision to separate the topics, said it gives each one a better chance at passage. "Basically this bill was dead on arrival until we separated it," said Mike Scanlon, spokesman for House Majority Whip Tom DeLay, R-Texas.

The move also could give Republicans a greater chance to showcase their nongun solutions to youth violence in the aftermath of the school massacre in Littleton, Colo. For example, they are proposing a federal law that would prohibit the sale of obscenely sexual or violent material to those under age 17.

The House Rules Committee, which began meeting Monday, is deciding which of 175 proposed amendments to allow on the floor.

The full House is expected to begin debate Wednesday, most likely on the nongun bill. The gun debate could oc-

cur Thursday.

With the outcome considered too close to call, President Clinton and Vice President Gore are reiterating their support for new gun-control measures and stepping up attacks on the NRA and House GOP leaders.

Speaking at a mayors' group Monday in New Orleans, Gore called for "strong action" on gun control, including raising the legal age for handgun possession from 18 to 21.

He released a study by the Treasury and Justice departments showing that 18- to 20-year-olds make up 4% of the population but commit 24% of the nation's gun murders.

And Clinton will announce today the findings of a Justice report showing that background checks conducted under the Brady Law have blocked more than 400,000 illegal gun sales since 1994.

Contributing: Richard Benedetto, Miami Hall

The groups, their mission

The National Rifle Association is the nation's largest and best-known pro-gun group, but there are others that support the right to bear arms. Each has a slightly different mission.

National Rifle Association

Established: 1871

Headquarters: Fairfax, Va.

Membership: 2.8 million individuals

Top officials: Charlton Heston, president; Wayne LaPierre, executive vice president

Positions: Opposes most gun restrictions. Accepts two measures pending in House of Representatives: bar minors from possessing semiautomatic assault weapons and bar violent juveniles from ever owning guns

American Shooting Sports Council

Established: 1989

Headquarters: Washington, D.C.

Membership: 350 gun and ammunition manufacturers

Top official: Robert Ricker, executive director

Positions: Accepts some gun restrictions, including the Senate-passed mandatory background checks on all buyers at gun shows

National Shooting Sports Foundation

Established: 1961

Headquarters: Newtown, Conn.

Membership: 1,500 gun companies, dealers and individuals

Top official: Robert Delfay, president and CEO

Positions: Does not lobby Congress; closely allied with the NRA

Gun Owners of America

Established: 1975

Headquarters: Springfield, Va.

Membership: 150,000 individuals

Top official: Larry Pratt, executive director

Positions: Opposes all gun control

Sporting Arms and Ammunition Manufacturers' Institute

Established: 1926

Headquarters: Washington, D.C.

Membership: 20 gun and ammunition manufacturers

Top official: Delfay

Positions: Sets industry standards; linked to NSSF

Hunting and Shooting Sports Heritage Foundation

Established: 1998

Headquarters: Newtown, Conn.

Membership: Gun and ammunition manufacturers

Top official: Delfay

Positions: Raise industry profile and defend it from lawsuits

Source: USA TODAY research

Court decides casino ads may be broadcast

By Tony Mauro
USA TODAY

WASHINGTON — Commercials for gambling casinos are likely to hit the airwaves soon as a result of a Supreme Court ruling Monday ending a 65-year-old federal ban.

The prohibition on broadcast advertising for casinos, originally part of a government campaign against the vice of gambling, violates the First Amendment free speech rights of casino operators, a unanimous court ruled.

"This opinion affirms that local broadcasters be accorded the same commercial free-speech rights as state lottery sponsors and newspaper publishers in advertising a legal product," said Edward Fritts, president of the National Association of Broadcasters.

The decision could also weaken efforts to restrict tobacco and alcohol advertising. The tobacco industry agreed to a self-imposed ban on broadcast commercials in 1970, but the court's ruling could be ammunition for anyone who wanted to revive the ads.

"This is a strong opinion for the advertising of alcoholic beverages, tobacco, or any legal product alleged to be harmful," said P. Cameron DeVore, lawyer for advertising groups.

On the gambling ban, the court noted that in the decades since it was enacted, exceptions have been carved out to allow ads for state lotteries, Indian tribal casinos, charitable games and sports gambling at dog races and jai alai.

The regulation permits "a variety of speech that poses the same risks the government purports to fear," Justice John Paul Stevens wrote for the

court. He also noted that the Federal Communications Commission, which enforced the ban, has allowed casinos to advertise "Vegas-style excitement," but not "Vegas-style games." These exceptions, Stevens said, weakened the ban.

The Clinton administration defended the ban as a way of protecting the nation's 3 million compulsive gamblers from the lure of casinos. But the court, noting that some form of gambling is legal in every state, said the government's justification for the ban is "by no means self-evident."

The full reach of the ruling is unclear. The decision says the ban cannot be enforced in states where gambling is legal, but experts Monday were not sure whether that means commercials are allowed only in the 11 states where private casinos are allowed, or

also in the states where Indian gambling is allowed.

The ruling continues its trend of giving greater First Amendment protection to commercial speech or advertising.

In other action, the court:

► Declined to review Operation Rescue founder Randall Terry's plea to overturn a \$600,000 fine against the group for an abortion clinic blockade in New York 10 years ago.

► Gave the Equal Employment Opportunity Commission the power to order federal agencies to compensate federal workers who are victims of workplace discrimination.

► Rejected Libya's argument that U.S. courts have no jurisdiction over lawsuits filed by the families of some of the victims killed in the 1988 bombing of Pan Am Flight 103 over Lockerbie, Scotland.

► Parochial aid case, 1A



USA TODAY

Stevens: Wrote decision for the court