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Burger World

Why You Won't Find Any Egg McMuffins For Breakfast in Brazil

McDonald's Expects Growth From Overseas, but a Visit To Rio Is Quite Revealing

They'll 'Fall Right Into Line'

By RICHARD GIBSON and MATT MOFFETT
Staff Reporters of THE WALL STREET JOURNAL

SALVADOR, Brazil — People here love Americana, and no symbol of it is better-known than the Golden Arches of McDonald's Corp. Yet many millions of Brazilians have never tasted a Big Mac. Salvador, a coastal city of nearly three million, has just 11 McDonald's restaurants, one-tenth as many as equally populous Chicago.

That huge potential is why McDonald's intends to spend $500 million to nearly double the number of its restaurants in Brazil to more than 700 by the year 2000. In an enormous expansion program in Latin America, "we will invest as much — and build as many restaurants — over the next three years as we did in the first 30," says Eduardo Sanchez, senior vice president of McDonald's International.

But McDonald's faces a challenge: Same-store sales at units open at least a year lost steam in the first half of 1997 after growing strongly since 1994. To revitalize the market, McDonald's has resorted to discounting. Is this just a temporary stumbling block or long-term problem?

A Crucial Question

The question is crucial because McDonald's Brazilian operations reflect its international business at large — while its domestic business has turned lackluster. Around the world, McDonald's is aggressively opening restaurants, adding nearly five foreign outlets a day. So, its share of foreign fast-food sales, already exceeding 80% of the market in some countries, will rise even further — a prospect that mesmerizes many investors.

But in many countries, as in Brazil, McDonald's operations have encountered hurdles. Securities analysts calculate, using figures provided by the company and adjusted for currency fluctuations, that its foreign same-store sales fell 6.4% last year. And in the first nine months of this year,

What's News—

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Business and Finance

BOEING PLANS a $1.6 billion pretax charge against third-quarter results and will incur about another $1 billion in charges and unanticipated costs in 1998 because of production bottlenecks in its booming commercial-jet business. While Boeing had acknowledged some problems, the size of the charge and the indication of prolonged difficulties surprised analysts. The big plane maker's stock tumbled 7.6%.

(Article on Page A3)

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Quaker Oats is expected today to name Robert S. Morrison, former chief executive officer of Kraft Foods, as its new chairman and chief executive, people in the industry said.

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Microsoft's tough tactics, even with its biggest customers, are on display in documents and sworn testimony in the Justice Department's case against the huge software concern.

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Cityscape's warning about its earnings is raising concerns about other lenders to consumers with less than perfect credit. The industry's biggest names include Money Store, Aames Financial and FirstPlus.

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Hong Kong stocks fell 6.2%, bringing the three-day drop to 14.4%, amid fears the Hong Kong dollar will join the Southeast Asian currency crisis.

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PepsiCo posted stronger-than-expected quarterly earnings, as its international beverage business showed the strongest signs yet of a recovery.

(Article on Page A4)

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Bell Atlantic took a $1.5 billion pretax charge to cover the costs of its Nynex purchase, resulting in a third-quarter loss, and said it plans to cut $500 million more in costs by 2000.

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World-Wide

POL POT EXPRESSED no remorse for genocide in his first interview in 18 years.

The ousted Khmer Rouge leader, who appeared close to death, said the mass murders, disease and starvation that killed at least one million Cambodians during his 1975-78 rule were necessary "mistakes" in the struggle to avoid conquest by the Vietnamese. "Even now, and you can look at me, am I a savage person?" asked the bedridden 72-year-old, who is partially blind, has heart disease and suffered a stroke. "My conscience is clear." (Article on Page A13)

The interview was done last week by Nick Thayer, reporter who witnessed the show trial at which Pol Pot was condemned by his tiny band of comrades.

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Clinton unveiled his three-stage plan to combat global warming, a proposal relying on industry cooperation, technical innovation and a trading system for carbon-dioxide emissions. It has been presented to treaty negotiators in Germany, and was criticized by EU leaders. Business and environmental groups are split. (Article on Page A2)

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"Fast-track" trade legislation may be doomed in the current session of Congress after House Ways and Means Chairman Archer said he won't bring the measure to the floor unless Clinton can find 70 Democratic votes for it. Many Democrats and their labor allies oppose the bill to expedite trade agreements. (Article on Page A2)

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Clinton's IRS reversal brought quick 33-4 approval by the House Ways and Means panel of a bill to overhaul the tax agency. The plan could change such everyday details as the size of refunds and the way disputes are handled. The balance of power would shift to taxpayers by making it easier for the IRS to be sued. (Article on Page B1)

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House-Senate negotiators reached agreement on paying mining and lumber firms to protect Yellowstone Park and California redwoods. The accord came in talks on a $13.8 billion natural-resources bill. The House passed a stopgap bill to fund agencies through Nov. 7.

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Aides to the Teamsters' Carey used proceeds from a June fund-raising dinner to repay $65,000 to a top aide to the union president, whose election has been overturned. The $65,000, given in March, was

Inside Today's Journal

If Pigs Can't Fly, Pumpkins Sure Do Out in Morton, Ill.

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The Town's Cannon Shatters Punkin' Chunkin' Record, But Can It Defend Its Title?

By MARK ROBICHAUX
Staff Reporter of THE WALL STREET JOURNAL

MORTON, Ill. — Ponder this: Will a pumpkin, as it nears the speed of sound, turn into pie in the sky?

In a machine shop in a sea of cornfields here in a place that calls itself the Pumpkin Capital of the World, this is *not* a theoretical question. For months now, a team of volunteers has worked earnestly on an effort to send a gourd soaring at Mach I.

Their invention is an 18-ton, 100-foot cannon made of 10-inch-diameter plastic pipe, powered by compressed air and mounted on an old cement mixer. Dubbed the Aludium Q36 Pumpkin Modulator, it has already set a world distance record, flinging a pumpkin 2,710 feet — at a velocity of more than 600 miles per hour, literally faster than some speeding bullets.

At the speed of sound, minimally about 750 mph, the distance record could easily be shattered, assuming the pumpkin doesn't shatter first. For this team of self-described "high-tech rednecks," this is a matter of some urgency and pride, says Matt Parker, a Morton businessman

Business Bulletin

A Special Background Report On Trends in Industry And Finance

RAISING A ROOFER is tough these days in many parts of the country.

Calls quadruple to Standard Construction Co. in San Francisco. "We've had to turn down business," says Toni Sestak, who has been answering phones to help out the owner, her husband. Just what the warm Pacific Ocean current may wreak in rain and wind remains to be seen, says Ken Haley, manager of energy forecasting for Chevron Corp., San Francisco. On the other hand, Mr. Haley has prudently cleaned out his own gutters.

Work is brisk for some firms in the East, too, where worriers fear a rough winter. Business is up 10% at Accurate Roofing & Siding, Trenton, N.J.; sales manager William Seplavicz says "the Weather Channel has something to do with it." But nearby Bayonne Roofing says the dry summer was slow. And Paul Carroll, president of Carroll Sons Roofers Inc., Somerville, Mass., is busy, but not like last year when the region was deluged.

Raboin Roofing Inc., Medford, Mass., says demand is high for quality materials like slate and copper.

HELP FOR THE HOLIDAYS: A retailer gets creative in finding seasonal workers.

Lands' End, the apparel-catalog firm in Dodgeville, Wis., will hire 2,600 extra workers this season — no small feat in a town with a population of 5,523 and a low unemployment rate. Among other things, Lands' End connects with a nearby cheese maker to hire seasonal workers the cheese outfit usually lays off in November. And the retailer tests a "home agent" program that lets people working from home take orders when calls "spike."

Still, about 60% of the seasonals are referrals by employees, who get $35 and a shot at Green Bay Packers' tickets for each hire. Last year, Lands' End promised seasonals that if they came back, they would get discounts and use of its activity center for the intervening year — plus $500 in tuition reimbursement. Lands' End offers a tip for tapping student help: buses. It gets three busloads a day from the University of Wisconsin, Platteville.

EURO-CONTRACTS being drawn up today may need fine-tuning for tomorrow.

As the European Union moves toward a common currency by Jan. 1, 1999, U.S. companies negotiating contracts that will run past that date should ensure the pacts

From the Ashes

The Big Tobacco Deal Gains New Momentum Despite Early Setbacks

Adjustments to the First Plan Spur Powerful Interests To Push Congress to Act

Money Is 'Sitting Around'

By JEFFREY TAYLOR and SUEIN L. HWANG
Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON — Henry Waxman, Phil Carlton and Orrin Hatch have little in common. Mr. Waxman is a Democratic congressman with a death wish for the tobacco industry. Mr. Carlton is a smooth tobacco operative. and Mr. Hatch is a conservative Republican senator wedded to neither side.

But the three can agree on one thing: Despite the now-popular perception that landmark tobacco legislation is DOA, a deal lives.

They predict Congress will push legislation through in the next year — with Mr. Carlton guessing by summer — approving sweeping new ground rules, sharply raising cigarette prices and forcing other broad changes that would have been unthinkable a year ago. What emerges from Congress will likely look different from the original settlement. But neither President Clinton's refusal to directly endorse the pact nor Republican leaders' decision to delay action means the tide has shifted against passage of the most resounding law in tobacco-industry history.

'Forces in Alignment'

"This is the one time in a generation," says Mr. Hatch of Utah, chairman of the Senate Judiciary Committee, "that all the forces have actually been in alignment."

Why the renewed optimism? The tobacco industry's decision to negotiate a deal with states and public-health advocates profoundly changed the legal and political landscape, unleashing an array of powerful interests that will likely push Congress to act. Democratic Sen. Edward Kennedy of Massachusetts calls momentum behind the bill "just too powerful — one of those things that nobody will be able to stand in the way of."

There have been twists and turns though. On June 20, after three month