

Thursday, May 13  
12:30 am

Guns -  
Gun industry

ELENA -

Michael read me a draft of the departure statement, which is quite good. I think the President should refer to the gun industry letter, as Michael has done. The story in Friday's Post makes it sound like the industry isn't with us, when in fact they still support a strong amendment and will say that the Craig amendment won't work.

It's very important to give undecided Senators the cover of gun industry support. You should get the letter to Durbin or Schumer to read on the floor.

Thanks -

Bruce

*Guns -  
Gun Industry*

**PRESS CONFERENCE STATEMENT  
ROBERT DELFAY  
PRESIDENT AND CHIEF EXECUTIVE OFFICER  
NATIONAL SHOOTING SPORTS FOUNDATION  
WEDNESDAY, APRIL 26, 2000  
NATIONAL PRESS CLUB**

GOOD AFTERNOON, I'M BOB DELFAY, PRESIDENT OF THE NATIONAL SHOOTING SPORTS FOUNDATION AND I'D LIKE TO EXTEND MY VERY SINCERE THANKS FOR JOINING US. WITH ME THIS AFTERNOON ARE EXECUTIVES FROM SEVEN OF THE NATION'S LARGEST POLICE FIREARMS MANUFACTURERS: BERETTA, USA; BROWNING ARMS, COLT'S MANUFACTURING CO.; GLOCK, INC.; SIGARMS; STURM, RUGER & COMPANY; AND TAURUS INTERNATIONAL.

WE ARE HERE TODAY TO END AN ILLEGAL ATTEMPT BY A NUMBER OF SELF APPOINTED AND SELF IMPORTANT GOVERNMENT OFFICIALS TO VIOLATE THE BASIC RIGHTS OF A LEGITIMATE AND A RESPONSIBLE INDUSTRY, AND TO FOIST ON CITIZENS ACROSS THIS COUNTRY, A NATIONWIDE GUN CONTROL SCHEME UNAPPROVED BY CONGRESS.

EARLIER TODAY, THE NATIONAL SHOOTING SPORTS FOUNDATION AND THESE SEVEN POLICE HANDGUN MANUFACTURERS FILED A LAWSUIT NAMING ANDREW CUOMO, SECRETARY OF THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT; ELIOT SPITZER, ATTORNEY GENERAL, STATE OF NEW YORK; RICHARD BLUMENTHAL, ATTORNEY GENERAL, STATE OF CONNECTICUT AND 19 CITY OFFICIALS WITH WILLFUL VIOLATION OF THE UNITED STATES CONSTITUTION.

THE LAWSUIT ARISES FROM A POLITICALLY-MOTIVATED SCHEME IN WHICH THESE BUREAUCRATS HAVE SOUGHT TO BULLY LAW ENFORCEMENT PROFESSIONALS INTO BUYING HANDGUNS BASED NOT ON THE QUALITY OR SAFETY OF THE PRODUCT, BUT ON CAPITULATION BY THE MANUFACTURER TO A REGULATORY AGENDA CONCOCTED BY THESE OFFICIALS.

DEFENDANTS CUOMO, SPITZER AND OTHERS, THROUGH THEIR INDIVIDUAL AND COLLECTIVE ACTIONS, ARE USING TACTICS THAT SOME OBSERVERS HAVE CHARACTERIZED AS FINANCIAL EXTORTION TO FORCE LAWFUL, RESPONSIBLE MANUFACTURERS INTO KNUCKLING UNDER TO THEIR PROPOSAL FOR NATIONAL GUN CONTROL.

IN DOING SO THEY ARE CLEARLY TRESPASSING ON THE CONSTITUTION AND THE ROLE OF CONGRESS IN DEBATING AND DECIDING THESE IMPORTANT NATIONAL ISSUES.

IN MARCH OF THIS YEAR, NEW YORK ATTORNEY GENERAL ELIOT SPITZER ISSUED A REGULATION REQUIRING HIS STATE'S DEPARTMENT OF LAW TO REFUSE TO PURCHASE POLICE FIREARMS FROM ANY MANUFACTURER THAT DID NOT COMPLY NATIONALLY WITH HIS EXTENSIVE WISH LIST OF REGULATIONS FOR DESIGN AND DISTRIBUTION OF CIVILIAN FIREARMS.

THOSE DEMANDS INCLUDE OVERRIDING MANY OF THE 20,000 STATE AND FEDERAL LAWS ALREADY GOVERNING FIREARMS SALE AND DISTRIBUTION, AND TURNING OVER CONTROL OF THOSE ISSUES, AND BASIC CORPORATE MANAGEMENT, TO A COMMITTEE OF POLITICIANS AND LAWYERS.

MR. SPITZER THEN SENT A LETTER TO 200 FEDERAL, STATE AND CITY OFFICIALS NATIONWIDE, URGING THEM TO JOIN HIM BY ADOPTING THE SAME UNCONSTITUTIONAL PURCHASING SCHEMES. NOT BECAUSE THESE MANUFACTURERS HAVE DONE ANYTHING WRONG, CERTAINLY NOT BECAUSE THEY HAVE DONE ANYTHING ILLEGAL, ONLY BECAUSE THEY REFUSED TO ADOPT THE ATTORNEY GENERAL'S VERSION OF HOW TO DESIGN AND MARKET FIREARMS.

HOUSING AND URBAN DEVELOPMENT SECRETARY ANDREW CUOMO THEN APPLIED FEDERAL PRESSURE. IN LATE MARCH, THAT LED TO 29 MORE CITIES AND COUNTIES ADOPTING A SIMILAR ILLEGAL PROGRAM.

IN USING LAW ENFORCEMENT CONTRACTS AS THEIR VEHICLE, SECRETARY CUOMO AND THE OTHER DEFENDANTS HAVE PLACED THEIR PERSONAL POLITICAL AGENDA BEFORE THE INTERESTS OF THE MEN AND WOMEN WHO EACH DAY RELY ON FIREARMS TO KEEP US SAFE.

THE CAMPAIGN OF CUOMO, SPITZER AND OTHERS MAY MAKE GOOD SOUND BITES BUT, IT MAKES VERY BAD PUBLIC POLICY: IT MEANS THAT LAW ENFORCEMENT PROFESSIONALS CAN NO LONGER SELECT AND PURCHASE THE BEST FIREARM FOR THEIR PARTICULAR SITUATION--BUT CAN ONLY OBTAIN THOSE THAT HAVE THE POLITICALLY CORRECT STAMP OF CUOMO, SPITZER AND THEIR TRIAL LAWYER ALLIES.

AS THE 65,000 MEMBER LAW ENFORCEMENT ALLIANCE OF AMERICA STATED: "LAW ENFORCEMENT OFFICERS SHOULD NOT BE USED AS POLITICAL PAWNS."

AND THE 288,000-MEMBER FRATERNAL ORDER OF POLICE WROTE, "THE TOP CONCERN OF ANY LAW ENFORCEMENT AGENCY PURCHASING FIREARMS IS OFFICER SAFETY, NOT ADHERENCE TO A PARTICULAR POLITICAL PHILOSOPHY."

THE DEFENDANT POLITICIANS HAVE REPEATEDLY AND PUBLICLY STATED THAT THESE EFFORTS ARE DESIGNED TO FORCE CONCESSIONS IN THE WAY MANUFACTURERS DESIGN AND MARKET FIREARMS.

THESE POLITICIANS CLAIM THAT THEIR ACTIONS ARE NECESSARY TO FORCE MANUFACTURERS TO MAKE SAFETY CHANGES IN THEIR PRODUCTS, SUCH AS INCLUDING LOCKING DEVICES WITH THEIR FIREARMS.

YET, EVERY SINGLE ONE OF THE MANUFACTURERS REPRESENTED HERE ALREADY INCLUDE A LOCKING DEVICE WITH EVERY HANDGUN THEY SELL AND SOME HAVE BEEN DOING SO FOR WELL OVER A DECADE.

AS WE MEET HERE TODAY, FIREARMS ACCIDENTS ARE AT THEIR LOWEST LEVEL SINCE STATISTICS WERE FIRST COMPILED IN 1903. THIS IS A RESULT OF INDUSTRY SUPPORTED SAFETY EFFORTS, NOT THE RESULT OF THE PUNITIVE PURCHASING SCHEMES.

NO ONE HAS SUGGESTED THAT THESE COMPANIES ARE VIOLATING THE LAW – ONLY THAT THEY HAVE NOT SURRENDERED TO THE POLITICAL DESIGNS OF A FEW SELF-IMPORTANT POLITICIANS.

NO ONE HAS SUGGESTED THAT THE QUALITY FIREARMS MADE BY THESE MANUFACTURERS DO NOT CONTINUE TO SERVE AN IMPORTANT AND ESSENTIAL ROLE IN PROTECTING OUR LAW ENFORCEMENT OFFICERS, OUR HOMES AND OUR FAMILIES – ONLY THAT THEY NO LONGER ENJOY POLITICAL CORRECTNESS IN THE EYES OF THE CURRENT ADMINISTRATION.

AND CERTAINLY, NO ONE HAS SUGGESTED THAT THESE MANUFACTURERS HAVE DONE ANYTHING ILLEGAL – ONLY THAT THEY HAVE HAD THE CONVICTION TO STAND FIRM IN THE FACE OF AN ILLEGAL BARRAGE BY A CARTEL OF AMBITIOUS POLITICIANS AND THEIR TRIAL LAYWERS.

WE VIGOROUSLY OBJECT TO THE SUGGESTION THAT ANY MANUFACTURER, WHICH DOES NOT SUBSCRIBE TO THE ILL-FOUNDED DEMANDS OF THESE PUBLIC OFFICIALS IS NOT MAKING THE SAFEST POSSIBLE FIREARMS AND IS NOT INTERESTED IN THE FURTHERANCE OF SAFE AND RESPONSIBLE USE OF ITS PRODUCTS.

WE SHALL CONTINUE TO DISCUSS MEANINGFUL SOLUTIONS TO ACCIDENTAL AND INTENTIONAL FIREARMS MISUSE WITH ANY INDIVIDUAL OR ORGANIZATION, INCLUDING GOVERNMENT REPRESENTATIVES, WHO WISH TO MEET WITH US IN GOOD FAITH.

OUR INDUSTRY IS DILIGENTLY MONITORED BY THE BUREAU OF ALCOHOL, TOBACCO AND FIREARMS UNDER THE REGULATORY PLAN SET FORTH BY CONGRESS. WE STRONGLY SUPPORT THAT AGENCY AND EFFORTS TO INCREASE ITS REGULATORY AND INVESTIGATORY EFFECTIVENESS.

AND FINALLY, MAKE NO MISTAKE. NO BUSINESS OR ENTERPRISE IS SAFE IF WE ALLOW EXECUTIVE DEPARTMENT OFFICIALS TO IGNORE THE ELECTED LEGISLATURES AND ENACT THEIR OWN LAWS AND REGULATIONS THROUGH INTIMIDATION AND LITIGATION. WHATEVER YOU MAY THINK ABOUT GUNS, ALL AMERICANS SHOULD BE DEEPLY CONCERNED ABOUT THIS ILLEGAL AND UNCONSTITUTIONAL PROCESS.

THANK YOU. I WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE IN A FEW MINUTES, BUT FIRST I WOULD LIKE TO INTRODUCE GEORGE LINK OUR CHIEF COORDINATING COUNSEL FROM THE LAW FIRM OF BROBECK, PHLEGER AND HARRISSON TO PROVIDE DETAIL ON THE LEGAL ASPECTS OF THIS LAWSUIT.



# National Shooting Sports Foundation, Inc.

RUNTLICK RIDGE OFFICE CENTER · 11 MILE HILL ROAD · NEWTOWN, CT 06470-2359 · 203 426-1320 · FAX 203 426-1087  
WEB SITE [www.nssf.org](http://www.nssf.org) · E-MAIL [rdelfay@nssf.org](mailto:rdelfay@nssf.org)

ROBERT T. DELFAY  
PRESIDENT AND  
CHIEF EXECUTIVE OFFICER

*GUNS  
Gun Industry*

March 7, 2000

VIA FACSIMILE 202/456-5542

Mr. Bruce Reed  
Assistant to the President for Policy  
The White House  
Washington, DC

Dear Bruce:

Faxed herewith is a letter which I am hoping you can bring to the President's attention prior to his meeting today with Congressional leaders regarding firearms safety legislation, particularly as it relates to locking devices and comprehensive firearms safety education programs.

Thank you.

Sincerely,

Robert T. Delfay  
President and Chief Executive Officer

RTD:dp

Attachment



## National Shooting Sports Foundation, Inc.

FLINTLOCK RIDGE OFFICE CENTER · 11 MILE HILL ROAD · NEWTOWN, CT 06470-2359 · 203 426-1320 · FAX 203 426-1087  
WEB SITE [www.nssf.org](http://www.nssf.org) · E-MAIL [rdelpay@nssf.org](mailto:rdelpay@nssf.org)

ROBERT T. DELPAY  
PRESIDENT AND  
CHIEF EXECUTIVE OFFICER

March 7, 2000

Honorable William Jefferson Clinton  
The White House  
Washington, D.C.

Dear Mr. President:

In your radio address last Saturday, you said that we all have a responsibility to do our part to reduce firearms violence -- parents, community leaders, members of the gun industry and Members of Congress. The more than 1,700 manufacturers, distributors, and retailers who make up the National Shooting Sports Foundation (NSSF) couldn't agree more.

As we discuss this issue, key facts are often ignored in the debate over firearms violence. In seeking new solutions, we too often ignore or dismiss successful efforts. Our industry has long sponsored and supported programs to minimize the accidental and intentional misuse of firearms, and are now aggressively forging partnerships with government and law enforcement agencies to expand our efforts.

### Locking Device Initiatives

- In 1998, we supported a legislative proposal mandating that safety locking devices be made available at the point of sale at every gun store in the United States. First offered by Senator Craig, this proposal has subsequently been enacted as section 119 of Public Law 105-277.
- "Smart" gun technology may someday prove to be viable but today, every gun can be safely stored and locked. More than 90% of all handguns sold in the United States include a safety device provided free of charge by the manufacturer. Last year alone, millions of safety devices were provided on a voluntary basis by America's firearms manufacturers.
- We support and fund firearms safety education and training programs throughout the country. NSSF's *Project HomeSafe* is the nation's most comprehensive safety education and gunlock giveaway program. More than 100 cities -- from Boston to Miami and Philadelphia to Denver -- are implementing this program, placing locking devices in tens of thousands of homes free of charge. We are committed to spending millions of dollars distributing 1 million safety locks over the next three years.

- Tens of millions of industry-funded safety brochures have been distributed to firearms owners and users over the past several decades. This distribution continues at the rate of about two million per year.
- Federal legislation mandating safety devices with every handgun sold in the United States passed the Senate with our strong support last year. It would have passed the House of Representatives except for the opposition of your White House and your allies like Rep. Dick Gephardt, Rep. Carolyn McCarthy, and the other 195 House Democrats who voted against it. Our support for this legislation continues unabated.

### What Only the Federal Government Can Do

- More than 96% of firearms fatalities in the U.S. are caused by intentional misuse. When it comes to intentional misuse of firearms by criminals, our industry is united in supporting vigorous prosecution of federal firearms laws. Unfortunately, Mr. President, during your administration federal firearms prosecutions have declined by 44%. According to an independent analysis of Bureau of Alcohol, Tobacco and Firearms (BATF) cases, in 1998 there were only 2 successful federal firearms prosecutions in Washington, D.C., only 8 in San Francisco, and only 14 in the entire state of New Jersey. Firearms laws can only work if they are enforced.
- The firearms industry supported the establishment of the National Instant Criminal Background Check System. Last week, you claimed 500,000 felons, fugitives and stalkers were prevented from getting guns under the Brady Act, yet there have been only a handful of prosecutions for these violations of the Act. Allowing so many federal felonies to go unpunished creates a huge loophole that should be closed immediately.

Mr. President, firearms safety and education programs are working. Home firearms accidents involving children under the age of 15 have dropped to less than 100 in 1998. Fatalities from firearm accidents are at the lowest level since the National Safety Council began keeping records in 1903 -- dropping 40% in just the last decade. No one can dispute that this is the result of safety efforts administered by industry, the National Rifle Association and thousands of dedicated volunteers across the country.

As you seek national attention for additional federal firearms laws, we sincerely hope that you will recognize the real contributions that our industry has made. While others have talked, we have acted. We know what works and remain committed to doing our part. We hope you will do yours and commit the federal government to serious enforcement of federal firearms law.

Sincerely,



Robert T. Delfay  
President and Chief Executive Officer

**Fax**

*please deliver immediately*



**National Shooting Sports Foundation, Inc.**

11 Mile Hill Road • Newtown, CT 06470-2359

Phone: (203) 426-1320 • Fax: (203) 426-1087

Date: March 7, 2000

*Please deliver the following page(s) to:*

Name: Bruce Reed

From: Bob Delaney

Company: \_\_\_\_\_

Fax number: 202-456-5542

Page 1 of 4

**Message:**

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## CLINTON ADMINISTRATION REACHES HISTORIC AGREEMENT WITH SMITH AND WESSON

March 17, 2000

- Today, President Clinton will highlight an historic agreement with Smith and Wesson to build on his comprehensive efforts to reduce gun violence in America. The agreement represents an unprecedented partnership between the government and the gun industry to bring about meaningful reforms in the way the industry does business.
- Since the beginning of his Administration, President Clinton has been working on every front to reduce gun violence and keep our communities safer. Since signing the historic Brady Law and 1994 assault weapons ban, the President has continued to fight for more tools to make our communities safe. President Clinton took recent executive action to crack down on unscrupulous gun dealers who are the sources of crime guns to criminals and youth, and has continued to lead the national fight for common-sense gun safety legislation.
- As part of his efforts, President Clinton last December called on gun manufacturers to work with the Administration to make needed changes in the way they do business. Today, Smith and Wesson -- one of the nation's largest gun manufacturers -- has joined the federal government and cities and states across the country in a landmark agreement that will keep guns out of the wrong hands and result in safer guns.
- Today's agreement represents the first time a major gun manufacturer has committed to fundamentally change the way guns are designed, distributed and marketed. This deal shows what's possible when we work together in good faith. We applaud Smith and Wesson's leadership, and hope other responsible members of the gun industry will step forward too.
- Some of the key provisions of the agreement include:

### New design standards to make guns safer and prevent accidental shootings and gun deaths

**Locking devices.** Safety locking devices will be required for handguns and pistols, external locking devices within 60 days and internal locking devices within 24 months.

**Smart guns.** Two percent of annual firearms revenues will be dedicated to the development of authorized user technology that can limit a gun's use to its proper owner. Authorized user technology will be included in all new firearm models within 36 months.

**Large capacity magazines.** New firearms will not be able to accept ammunition magazines with capacity of over 10 rounds. The manufacture of such magazines has been prohibited since 1994.

**Safety testing and standards.** All firearms are to be tested by ATF to ensure that they meet performance and safety standards such as drop tests.

**Other safety devices.** Within one year, all pistols will have chamber load indicators to show that a pistol is loaded to prevent accidents, and magazine disconnectors will be available to customers within 12 months.

**New sales and distribution controls to help keep guns out of the hands of criminals and help law enforcement crack down on illegal gun traffickers.** Under the deal, manufacturers will agree to sell only to authorized dealers and distributors who agree to a code of conduct. The code of conduct imposes new requirements on authorized dealers and distributors.

**Cutting off dealers with disproportionate crime guns.** Under the agreement, manufacturers will take action against dealers or distributors who sell disproportionate numbers of guns that turn up in crimes within three years of sale, including termination or suspension against the dealer or distributor.

**Gun shows.** Authorized dealers cannot sell at gun shows unless every seller at the gun show conducts background checks.

**Ballistics testing.** To help law enforcement trace guns used in crime when only the bullet or casing is recovered, ballistics fingerprints will be provided for all new firearms to ATF/FBI National Integrated Ballistics Identification Network within 6 months if technologically feasible.

**Safety training for purchasers.** No sales will be made to dealers who do not require gun purchasers to demonstrate that they can safely handle and store firearms.

**Theft prevention.** No sales will be made to dealers who do not implement a security plan to prevent gun theft.

**Weapons attractive to criminals.** Authorized dealers and distributors will not sell large capacity ammunition magazines or semiautomatic assault weapons.

**Restrictions on multiple handgun sales.** To deter illegal gun trafficking, dealers must agree to new limits on multiple handgun sales. All purchasers of multiple handguns can only take one handgun from the day of sale, the remainder 14 days later.

**Enforcement of agreement.** An Oversight Commission will be established to oversee the implementation of the agreement. The Commission will have five members selected as follows: one by manufacturers; two by city and county parties; one by state parties; one by ATF. ATF will work with manufacturers and the Oversight Commission to assist them in meeting obligations under the agreement.

Gun Industry

# Handgun Makers Recoil as Industry Shakes Out

By PAUL M. BARRETT  
AND ALEXEI BARRIONUEVO

Staff Reporters of THE WALL STREET JOURNAL  
A group of California handgun manufacturers, whose small, inexpensive weapons police often associate with crime, are retreating from the cheap-gun market.

## GUNS

The little-noticed development began several years ago and could be the first stage of a substantial shakeout in the gun business. A wave of municipal lawsuits against the entire handgun industry appears to be accelerating the restructuring.

People in both the pro- and antigun camp predict that the process could result in the disappearance of some smaller gun makers, an increase in overall prices, and greater stability for the larger players. What's more, the restructuring could encourage the remaining big companies to accept greater regulation, which could be the basis for settling the municipal suits.

The California handgun makers are in the spotlight following the church rampage last week in Fort Worth, Texas. One of the pistols carried by gunman Larry Gene Ashbrook was made by Arcadia Machine & Tool Inc., a small manufacturer typically included among the so-called Ring of Fire companies, named for their location ring-

ing Los Angeles.

Mr. Ashbrook, a 47-year-old loner, killed seven people and injured seven more, and killed himself at Wedgwood Baptist Church. He appears to have done most of his bloodletting with a 9mm pistol, made by the largest U.S. gun company, Sturm, Ruger & Co., of Southport, Conn. But he also carried a small .380 semiautomatic from Arcadia, one of the company's Backup line, which it pitches as a concealed backup weapon for police officers or civilians.

The other half-dozen companies in the Ring of Fire all have ties to the extended Jennings family, a legendary clan of firearm entrepreneurs; Arcadia, now owned by Galena Industries Inc. of Irwindale, Calif., doesn't. Arcadia's weapons aren't linked to crime as frequently as those of some other Ring of Fire manufacturers. But like the Jennings-related companies, such as Lorcin Engineering Co., Bryco Arms Inc. and Davis Industries Inc., Arcadia in the early 1990s stepped up production of smaller models such as the .380.

The gun industry as a whole enjoyed a boom in 1993 and 1994, when people stocked up on firearms in reaction to industry-fanned fears that passage of the Brady background-check law foreshadowed even stiffer gun restrictions. But the Ring of Fire companies particularly thrived.

Arcadia was "part of that whole move to produce a lot of smaller personal-protection pistols at a reasonable price," says Robert Ricker, a veteran industry lobbyist in Sacramento, Calif. Law-enforcement investigators say that Mr. Ashbrook paid about \$175 for his Arcadia Backup, a model with a reputation for durability. A comparable Lorcin retails for \$100 or less and is known as a "junk gun" because of a tendency to jam. Top-quality handguns typically retail for \$350 to \$550.

A predictable slump followed the fat times of 1993-94. The southern California companies making smaller guns were hardest hit. As gun foes began focusing critical attention on the Ring of Fire companies, those manufacturers were actually cutting production sharply.

Other factors exacerbated the difficulties Ring of Fire companies faced. Some larger companies, such as Smith & Wesson Corp., a unit of Britain's Tomkins PLC, stepped up marketing of small personal-protection guns. Also, the decline in violent-crime rates is thought to have dented consumer demand for such guns. "That end of the market has been in trouble for a while," says Mr. Ricker, the lobbyist.

Last month, the Ring of Fire suffered another blow when California enacted a law intended to ban "junk guns" that fail

tough new safety standards. Most of the larger gun companies, which didn't aggressively oppose the law, can probably meet its tougher standards and would benefit if their low-price competitors are hurt.

Meanwhile, lawsuits filed by cities and counties around the country are taking yet another toll. The suits, filed by 27 municipalities so far, seek reimbursement of public gun-violence costs and reform of industry marketing and distribution practices.

Faced with potentially crippling legal expenses, two of the southern California companies, Davis Industries of Chino, and Sundance Industries Inc. of Valencia, have sought bankruptcy-court protection. Lorcin Engineering of Mira Loma has ceased operation, citing management problems as well as the litigation.

The owners of some of these gun makers may resurface in new guises. James Waldorf, Lorcin Engineering's co-founder and former president, for example, says he plans to start producing higher-end guns in Nevada. Arcadia, which is named in only some of the suits, this year has promoted a limited-edition high-end model, in an apparent continuing move away from mass-production of lower-priced handguns.

Like most gun companies, Arcadia is privately held and doesn't release financial information. Officials at its parent didn't return telephone messages seeking comment. An industry person familiar with the situation said Galena Industries was in the process of moving the Arcadia gun-making operations to South Dakota.

Gun-industry veterans, as well as critics, believe that a significant restructuring of the gun business could be underway.

"This could be the first stage of a very rational shakeout in a business under tremendous pressure," says Tom Diaz, a senior analyst with the antigun Violence Policy Center in Washington and author of "Making a Killing," a 1999 book on the gun business. He predicts "some cleaning out of bottom-feeders," leaving a more

consolidated industry of larger companies that will seek to nudge prices up and possibly move away from production of smaller, cheaper handguns.

Mainstream industry officials contest much of Mr. Diaz's book and publicly tend to avoid criticism of the low-end companies. But privately, some executives with major manufacturers say that they wouldn't mourn the Ring of Fire's fading.

In fact, in the face of the municipal lawsuits, some of the larger firearm manufacturers are taking steps they hope will be seen as distinguishing themselves from the Ring of Fire. Although modest, these steps are significant because in the past, gun makers have responded to demands for reform by arguing that there is little they can do to control what happens to guns once they leave the factory.

Colt's Manufacturing Co. of West Hartford, Conn., for example, has discussed with the New York state attorney general's office ways that the company might be willing to supervise sales of its guns more closely. New York Attorney General Eliot Spitzer has threatened to be the first state official to join the antigun litigation unless major manufacturers agree to a more restrictive industry "code of conduct." Colt's independently has begun using federal law-enforcement data to examine criminal trends in the use of its guns—a step that until now gun makers have strongly resisted.

It isn't clear how far this trend will go. The industry says it plans to fight the lawsuits in court. In Washington, the National Rifle Association, which represents gun-owner interests, is resisting any substantial increases in federal gun control.

*Handwritten signature*

## Property Insurers Slash Loss Estimates From Hurricane Floyd to \$800 Million

By DEBORAH LOHSE

Staff Reporter of THE WALL STREET JOURNAL

The nation's property insurers, which early last week feared that Hurricane Floyd could cause as much as \$4 billion in insured losses, now expect to pay significantly less, perhaps \$800 million or more.

Most of the damage is expected to stem from relatively minor structural damage to homes in North Carolina and more than a dozen other states.

"The numbers are not as high as initially anticipated, because the storm veered further off the East Coast, didn't hit any major urban area [at its full strength] and much of the damage on the East Coast was flooding," said Steven Goldstein, a spokesman for the Insurance Information Institute, a trade group in New York.

Early last week, the insurance industry predicted insured losses of \$4 billion. And even after the storm largely bypassed Florida, some research companies that predict insurance losses based on insurance-company exposure models estimated that insured losses could top \$2 billion. But the Insurance Information Institute said Friday that, until homeowners and adjusters in many flooded states could get in to assess damage, current estimates as of Friday were more like \$800 million.

Still, such estimates have been a moving target since Floyd first started threatening the Florida coast. Many homeowners and insurance claims adjusters were just being granted access in recent days to areas rendered impassable due to hurricane-driven flooding. Insurance executives say the highest concentration of claims so far have come from hard-hit North Carolina, where Floyd first made landfall, but that a steady stream of claims had come in from more than a dozen affected states from Florida to New England.

Adding to the uncertainty, much of the damage wreaked by Floyd has been in the form of flooding, a loss that won't be borne directly by the nation's private homeowners' insurers, but rather by the federal government's flood-insurance program—provided homeowners had purchased such coverage. Typical private homeowners' policies don't cover flooding, which is deemed too risky and expensive for insurance carriers, and only a small percentage of homeowners in flood-plains areas purchase the relatively expensive federal coverage.

Moreover, unlike with past disastrous hurricanes like Andrew in 1992, those homes with structural damage by and large don't appear to be total losses, insurance-company executives say. "A lot of it has been in the form of trees smashing into homes," said Orysia Meyers, property officer for Nationwide Insurance, a subsidiary of Nationwide Mutual Insurance Co. of Columbus, Ohio.

No matter how extensive the damage, insurers expect that their overall exposure will be reduced due to the industry's imposition in recent years of so-called hurri-

cane deductibles on many coastal homeowners' policies. Such deductibles are payments representing a percentage of an insured home's value—say 2% to 5%—that homeowners must pay before receiving insurance reimbursement. Someone with a \$300,000 home and a 5% deductible would have to pay \$15,000 before insurance payments kick in.

Another expected source of losses for insurers is due to the cars damaged by the hurricane and resultant flooding. Car owners covered by comprehensive auto insurance policies will be reimbursed for such damage, said Steven Goldstein, a spokesman for the New York-based trade group Insurance Information Institute. "We're expecting a lot of auto claims," said Mr. Goldstein, who said such claims have not hit insurers by and large yet.

State Farm Mutual Automobile Insurance Co., of Bloomington, Ill., Friday projected it will process about 26,000 homeowners policyholder claims in states from Delaware south to Florida, paying an estimated \$55 million in the process. It had not projected losses from damages north of Delaware. State Farm projected it would receive 5,000 auto claims costing \$12 million.

Allstate Corp., another large property insurer based in Northbrook, Ill., said by Friday it had received 11,000 claims from 15 states, with the highest volume of claims, 2,400 coming from North Carolina.

Similarly, Nationwide said that as of about midday Friday, it had received fewer than 10,000 claims, but that many people in areas of the Northeast hadn't been able to assess damages in order to make claims. "There are still a lot of people who need to get back to their homes, see the damage, and others who are without power" said Ms. Meyers of Nationwide. "I don't think we've peaked yet, not even close."

THE WALL STREET JOURNAL  
MONDAY, SEPTEMBER 20, 1999

# Gun Accord In New York Could Set U.S. Standard

By BARRY MEIER

If New York's State Attorney General, Eliot L. Spitzer, sues the gun industry as he has threatened, he will simply join a long line of 23 cities and counties that have already done so.

But if Mr. Spitzer succeeds in striking a deal with some firearms producers over issues like the way they monitor gun distribution, then New York will score a first that could set a national standard.

There is no assurance that the talks Mr. Spitzer began recently with two gun makers and a trade group will succeed, and one person involved in the talks said he expected them to move ahead or to collapse quickly. And in the broadest sense, the New York talks may prove to be only another in a series of stillborn efforts to settle the growing wave of lawsuits against gun makers.

Still, officials in other cities who have sued the gun industry said yesterday they were pleased because the talks might lead to a break in that logjam of litigation.

"I think it is a positive sign that some members of the gun industry are willing to talk," said Louise Renne, the city attorney of San Francisco, which along with more than a dozen California cities sued gun makers this spring.

Most of the suits accuse gun companies of negligently marketing guns by failing to impose proper control over distributors and dealers. As a result, those lawsuits charge, guns easily fall into criminal hands. Gun makers have denied the charges.

The New York lawsuit has yet to be filed. But under discussion in the talks are a number of issues aimed at tightening how guns are marketed and sold.

One proposal long championed by some gun control advocates would involve the appointment of an independent monitor, either by a court or through an agreement between the state and the industry, who would review the distribution of guns.

That monitor would then identify companies, distributors and dealers who were failing to keep guns from being sold to people planning to resell them to criminals or other prohibited buyers like teen-agers.

Mr. Spitzer's office is also pressing makers to start test-firing their guns before they ship them, then submit the cartridge casings and bullets to the Federal Bureau of Alcohol, Tobacco and Firearms, the agency that regulates the manufacture and sale of weapons.

The agency could then use the unique markings on those casings and bullets to identify a gun used in a crime.

The talks apparently began in recent days when Mr. Spitzer's office contacted Colt's Manufacturing, one of the country's largest firearms producers. Richard Esposito, a consultant to Colt, said the "company had been invited to a meeting" with Mr. Spitzer.

From there, an industry trade group, the National Shooting Sports Foundation, was brought in because Colt's felt it was inappropriate for one company to talk separately with Mr. Spitzer, according to two people, one who took part in the talks and one who had been briefed about them. Robert Delfay, the president of the group, has declined to confirm or deny that a meeting with Mr. Spitzer took place.

A representative of Smith & Wesson, the largest gun maker in the country, also met with Mr. Spitzer's aides, said one person who had been briefed about the talks. Kenneth Jorgensen, a spokesman for the firearms producer, said he was not aware that anyone at the company had talked with Mr. Spitzer.

John Coale, a lawyer in Washington who is involved with five cities suing gun makers, including New Orleans and Bridgeport, Conn., said he believed that Mr. Spitzer's talks would be important only if they produce some agreement, since some of the issues in the New York talks have already been the subject of failed discussions between his group and gun industry representatives.

As recently as 10 days ago, for example, Mr. Coale said he met with Mr. Delfay, the president of the industry trade group, to discuss settlement-related issues.

"We have been looking at the issue of global talks and how to get everybody in the same room," Mr. Coale said. The agenda included issues like better distribution controls and tighter oversight on how many guns a customer can buy each day.

Mr. Coale also said one gun maker, Glock Inc., was moving close to adopting the type of bullet tracing system that Mr. Spitzer was proposing all gun makers adopt.

In a telephone interview, Mr. Delfay acknowledged that those talks had taken place. Paul Jannuzzo, a lawyer for Glock, did not return a phone call seeking comment.

Gun  
Industry

# A Senator's Close Tie With His Nephew

By ADAM CLYMER

WASHINGTON, July 21 — Since 1968 Senator Edward M. Kennedy has been the patriarch of his family, the one many nieces and nephews called for advice or help. But his connection to John F. Kennedy Jr. had many special qualities.

It was bracketed by moments of sadness. On the day John saluted his father's coffin on the way to Arlington National Cemetery, he also celebrated his third birthday at the White House. As the foreign leaders left, his Uncle Ted was there to sing "Happy Birthday."

Today, with the support of his own sons, Edward M. Kennedy Jr. and Representative Patrick J. Kennedy of Rhode Island, the uncle went to sea with the Navy as the bodies of Mr. Kennedy, his wife, Carolyn Bessette Kennedy, and her sister, Lauren G. Bessette, were being recovered.

In between, there were happier times. On July 19, 1988, John introduced his uncle at the Democratic National Convention in Atlanta, saying: "I owe a special debt to the man his nephews and nieces call Teddy, not just because of what he means to me personally but because of the causes he has carried on. He has shown that an unwavering commitment to the poor, to the elderly, to those without hope, regardless of fashion or convention, is the greatest reward of public service."

Senator Kennedy never had to get John and his sister, Caroline, out of trouble, and so there have been few headlines about their ties.

But one friend, who agreed to speak only if he were not identified, called the Senator's connections to the first 2 of 13 Kennedys made fatherless by assassins "unbelievably close." He said Caroline's children treated their uncle, who has a repertoire of animal sounds to amuse small children, "as their grandfather."

The friend said the Senator was weathering his latest loss but sug-



Associated Press

Senator Edward M. Kennedy and his son Patrick on a Navy tender.

gested that the Senator had been angry when helicopters with television cameras flew over his niece Caroline's house on Long Island to take pictures when he went to console her on Sunday.

The Senator worked with his niece on matters relating to the John F. Kennedy Library on Dorchester Bay in Boston. One former aide said the Senator usually deferred to her. And he encouraged her and her brother to visit President Ronald Reagan at the White House in 1985 to ask him to attend a fund-raiser for the library. Mr. Reagan agreed.

The Senator encouraged his nephew to take on the leadership of an institution dear to the family, the Institute of Politics at the John F. Kennedy School of Government at

Harvard.

For some years, the younger Mr. Kennedy seemed bored at institute meetings. But in recent years he had taken a greater interest, hoping to broaden its definition of politics beyond running for office or holding positions in government. He wanted a focus on service, as explained in the verse from St. Luke that his grandmother, Rose Fitzgerald Kennedy, taught his father: "Of everyone to whom much has been given, much will be required."

As his uncle encouraged his nephew's desire to assume the chairmanship of the institute board — Senator Kennedy's college friend former Senator John Culver of Iowa was stepping down — the connection was like that of a senior partner promoting a young protégé. And it was agreed that the younger Mr. Kennedy would take the position this fall.

Kenneth M. Duberstein, an official who served in the Nixon, Ford and Reagan Administrations and also serves on the institute board, today described the Senator's manner over many board meetings: "He was a gentle guide to John when it came to the I.O.P. He gave John space, gave him encouragement, gave him the experience of his years. This was a mission John thrived on. It was really a labor of love between an uncle and a favorite nephew."

Senator Kennedy had been looking forward to last weekend and the wedding of Rory Kennedy, Robert F. Kennedy's youngest child. He told a reporter that after the January 1998 funeral of Michael Kennedy, one of Rory's older brothers, that he wanted to bring the family together for a less formal, happier occasion. But the wedding was canceled when the family learned that John F. Kennedy Jr.'s plane had disappeared.

This Friday, at St. Thomas More Church in New York, the church where Jacqueline Kennedy Onassis worshiped, the Senator, Caroline Kennedy Schlossberg and the rest of the family will assemble again for a Mass to mourn lost life.

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.

Crime - Gun Industry

"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 club in which they are trained before they get 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

# Here's the Turnoff In the Market for Guns, The Customers Aren't Coming Back for More With Hunting on the Wane And Stigma on the Rise, The Pool Is Shrinking You Feel Like a Smoker

By VANESSA O'CONNELL  
AND PAUL M. BARRETT

Staff Reporters of THE WALL STREET JOURNAL

Michael Maul doesn't have anything against guns; he owns six. But the Houston radio-station engineer hasn't hunted for eight years, and he doubts that he will ever buy another gun. When he wants to shoot animals these days, Mr. Maul, 40 years old, uses a camera.

"It's a lot easier in the city to go to a nature trail or an arboretum," he says.

The gun business is losing customers. Hunters and target shooters — the industry's core market — are gradually walking away from those sports. Subdivisions have encroached on land once used for hunting. Bicycling, kayaking and other hobbies are luring people away from firing ranges.

Most ominously, gun companies' efforts to cultivate new buyers among women and teenagers have failed to stem the erosion. And gun manufacturers face a dramatic shakeout, as recent high-visibility killings have made guns less socially acceptable in many people's eyes.

"Our future is rather tenuous," says Paul Jannuzzo, vice president of the U.S. unit of Austrian handgun maker Glock GmbH.

Mr. Jannuzzo's industry has attracted public attention lately as it attempts to fend off a legal assault by 28 cities and counties across the country. But however that courtroom fight ends, gun companies face the peril of a shrinking consumer market. U.S. gun production and imports have fallen more than 20% since the late 1970s, and despite an unusual buying surge this year, industry analysts predict little to no overall growth in the decade ahead.

Retail giants such as Wal-Mart Stores Inc. and Kmart Corp. recently have reduced their gun and ammunition displays in favor of other sporting goods. The ranks of gun wholesalers — the middlemen between the factory and the store — have thinned by 16%, to about 160, since 1996.

A consolidation wave among manufacturers is already under way. Colt's Manufacturing Co. just this month eliminated its less expensive civilian-handgun lines and is negotiating a possible merger with rival Heckler & Koch Inc. Three small California makers of inexpensive handguns have either shut down or sought bankruptcy-court protection this year. Smith & Wesson Corp., the largest U.S. handgun manufacturer, is diversifying into everything from police bikes to car parts to clothing.

With more than 200 million guns already in civilian hands, industry officials

worry that the market is nearing saturation. Just 10 million people own roughly half the national stock, which translates into about 10 guns per owner.

In the 1980s, the proportion of men who said they personally owned a gun held steady at 52%, but by 1998, the figure dropped to 36%, according to regular surveys by the National Opinion Research Center at the University of Chicago. Female ownership has hovered around 11% since 1980.

The lurid massacres of the past two years are statistically an aberration; violent crime has dropped nationally for seven straight years. But round-the-clock reports of gun killings have created a "much broader negative perspective, a tainting" of firearms, says Douglas Painter, executive director of the National Shooting Sports Foundation, the main industry trade group. In the wake of the Littleton bloodshed, his group dropped its first-ever mainstream-magazine advertising campaign, what would have been a \$3 million effort to create a wholesome image for shooting sports.

Shooting traditionally has relied on family relationships and word-of-mouth promotion to attract neophytes. But fear of social disapproval is muffling veteran participants, Mr. Painter says. "Does that have a negative impact? You bet it does."

Lory Ambriz bought a new gun every year for more than four decades, displaying his favorites, including an assault rifle, above the fireplace in his La Mirada, Calif., home. But following this year's school shootings, his grandchildren and other house guests questioned why he kept such a potentially dangerous arsenal.

"I began to think I don't need them anymore," says the 68-year-old retired truck driver, who hadn't fired a gun for years. He says he has moved his 40 weapons to a neighbor's safe and has begun to sell them.

To be sure, there are tens of millions of loyal gun users who still raise their children to hunt or target shoot. Mark Anderson, an insurance agent in Columbia, Mo., for example, was taught to shoot by his father and today owns more than 20 guns. A recent purchase was a .22-caliber rifle for his 12-year-old son, who is interested in target shooting. His next purchase is likely to be a quail-hunting shotgun for the boy, Mr. Anderson says.

But in many gun-owning families, these traditions aren't being passed to the next generation. Mr. Maul of Houston learned to hunt with his older male relatives, but they are back in rural Illinois, where he grew up, and as an adult, he hasn't found new hunting buddies. He doesn't plan to encourage his own son, now three years old, to take up the sport. "I expect he'll develop other interests, as I have," Mr. Maul says.

The upshot is that each of the industry's key markets is eroding. Hunting, which accounts for about 60% of consumer gun sales, has declined steadily for decades. The number of adults who hunt tumbled 17% from 1990 to 1998, according to Media-mark Research Inc., a market-research firm. The number of hunting licenses issued annually by states fell 11%, to 14.9 million, from 1982 to 1997, the most recent year for which statistics are available from the U.S. Fish & Wildlife Service.

Target shooting, which accounts for 25% of sales, is slowly fading, too. From 1993 to 1997, participation fell 5%, to 18.5 million people, according to a survey by the National Sporting Goods Association.

As their ranks thin, hunters and shooters are graying. At last month's New Jersey State Outdoor Pistol Championship, in the town of South River, 66 mostly grandfatherly types fired at paper bull's-eyes. Competitor James Phillips, 72 years old and clad in surgical stockings and orthopedic shoes, describes his fellow shooters as "a bunch of old men." Lone spectator Bill Nolan recalls that in the 1950s and 1960s, the parking lot overflowed with the recreational vehicles of 200 young and middle-age shooters and their families. "Boy, have times changed," says Mr. Nolan, 58.

People who buy firearms for self-protection, mostly handguns, make up the remaining 15% of the market. In an anomaly, sales in this area increased this year, partly because of the threat of stiffer gun-control measures and fear of social breakdown related to year-2000 computer problems. But the larger trend, as crime rates have fallen, is a drop in demand for self-protection guns. In any event, this isn't particularly fertile ground for gun makers because consumers buying only for protection tend to tuck a handgun away in a closet and not return to the gun store for more purchases.

Attitudes toward guns vary from region to region. They are more popular in the South, less in the Northeast. But there is growing anecdotal evidence from around the country that some gun enthusiasts are viewed — and view themselves — as pariahs with an unseemly habit, akin to cigarette smoking. Indeed, the danger for the industry would be that gun ownership could become as unfashionable and frowned upon as chain-smoking, a habit that as recently as a decade ago wouldn't have raised eyebrows.

Fred Cunnings, a gun owner in Holiday, Fla., felt like such "an outsider" that he sold the pistol he had kept for years in a closet. "You almost feel like a smoker in a restaurant," says the 48-year-old landlord.

Most gun makers seem resigned to the erosion of their core customer base and are focusing on finding new faces. "The No. 1 challenge facing the gun industry is finding nontraditional consumers — women, young people, and suburbanites — to make up for the gradual decrease in traditional male hunting customers," says Ronald Stewart, who was chief executive of Colt's from 1996 through late last year.

Neither Colt's nor the industry at large is succeeding.

Since the late 1980s, handgun makers such as Colt's, Smith & Wesson and Italy's Beretta SpA have tried to convince women that they need to protect themselves and their families. Smith & Wesson, for example, pitched its LadySmith revolver, with pearl handles, as a "personal security plan" for women. But as crime rates eased in the late 1990s, the portion of women who personally own a gun dropped to 10.7% in 1998 from its recent high of 13.8% in 1993, according to the National Opinion Research Center.

Paxton Quigley, a handgun advocate who endorses Smith & Wesson products, recalls a "frenzy of interest" in her all-women handgun self-defense classes following the Los Angeles riots in 1992. Held at gun ranges nationwide, the classes now typically draw only 15 students, down from 35 in the early 1990s, she says.

For years, Dawn Brachmann, a home-

maker in Holiday, Fla., kept her husband's .25-caliber Sterling pistol loaded and in a bread box on top of her refrigerator. But she asked him to get rid of it last month after a church sermon on gun violence at schools caused her to worry that her three-year-old son might stand on a chair and get at it. "I don't want to own any more guns," she says, "but I wouldn't mind finding something else to use in my self-defense."

In addition to problems recruiting women, gun makers acknowledge that they are failing to win over enough young people to replace aging shooters and hunters.

In recent years, the gun industry has aggressively courted kids, getting nearly three million a year to participate in rifle programs sponsored by the NRA and groups such as the farming-oriented 4-H clubs and the U.S. Junior Chamber of Commerce. Some manufacturers have tried to capitalize on this activity. H&R 1871 Inc., Gardner, Mass., says that by lending firearms to these programs, among other promotions, it has doubled annual sales of youth guns since 1995, to more than 50,000.

But aside from such small pockets of success, overall efforts to recruit younger customers aren't working, gun executives say. People between the ages of 18 and 24 made up only 8% of all hunters in 1995, down from 17% in 1986, according to the National Shooting Sports Foundation. In one major hunting state, Pennsylvania, sales of junior hunting licenses have dropped 40% during the past three decades, to roughly 98,000.

At a time when participation in scholastic sports is at an all-time high, riflery drew just 2,966 participants in the 1998-99 school year, 47% fewer than in 1974-75, according to a survey of 17,000 schools by the National Federation of State High School Associations. More than four times as many students played on badminton teams.

Robert Soldivera, who coaches shooting teams at three private high schools in Staten Island, N.Y., says that at first, many children "want to learn to shoot because it is the forbidden fruit." But that curiosity tends to wear off quickly, as students conclude that "making holes in paper targets gets boring really fast," Mr. Soldivera says. He estimates that fewer than 20% of his students remain active through their senior year; most quit after just a few months.

Like schools, many summer camps are phasing out shooting programs. Kent

Meyer, who oversees Camp Chief Ouray in the Colorado Rockies, suspended its 92-year-old rifle program in response to this spring's school shootings in Littleton and Conyers, Ga. Scott Brody, who owns Camps Kenwood and Evergreen in Potter Place, N.H., dropped rifle programs in June and added more woodworking and dance. "They don't have the dangers of the riflery program," says Mr. Brody.

Worried about a stagnant gun market, some major manufacturers are putting more emphasis on military and law-en-

forcement sales or diversifying into other products altogether. Sturm, Ruger & Co., Southport, Conn., the largest U.S. gun manufacturer, makes golf equipment. Ed Shultz, Smith & Wesson's chief executive, says he is steering his 147-year-old company, which once made only firearms, toward a 50-50 balance of gun and nongun products.

Other companies are trying more exotic niche-marketing strategies. Smith & Wesson, Springfield, Mass., Colt's, based in West Hartford, Conn., and Mossberg & Sons Inc., North Haven, Conn., are scrambling to be the first to offer a "smart gun" to women and people generally who otherwise wouldn't buy a firearm because of safety concerns. Smart-gun prototypes rely on microchip technology to allow only authorized users to pull the trigger. But the cost and reliability of smart guns are very much in doubt.

Savage Arms Inc., Westfield, Mass., aims to boost sales among aging diehards by designing new guns for older, arthritic hands. Savage reduced the weight of some of its rifles to 5 1/2 pounds from eight pounds by using plastic parts rather than wood and added devices to reduce the sometimes-painful recoil that comes with firing a gun.

Both modifications appear to be hits with Savage's maturing customer base, says company President Ronald Coburn. But the problem, he adds, is that "as our audience matures, the younger generation isn't coming up behind them."

## THE GUN ISSUE

## Commercials by Gun Industry Will Try to Counter Litigation

By JAMES DAO

WASHINGTON, July 27 — Asserting that gun manufacturers are in dire jeopardy from a raft of lawsuits by state and local governments, the firearms industry plans to start running commercials during prime-time coverage of the Republican National Convention next week attacking President Clinton and other politicians, mostly Democrats, who support the litigation.

"We're being blamed for crime and violence by this administration and big-city mayors whose greedy lawyers are using your tax dollars to sue us," says the narrator in one of the two 60-second spots, which depict a well-dressed man, presumably a lawyer, carefully shredding an American flag. "So now, we need you."

The commercials by the National Shooting Sports Foundation, the industry's leading trade association, are part of a broader effort by the group to hurt elected officials who have accused gun makers of being legally responsible for gun violence. The group has also created a political action committee and is using its nationwide network of retailers

and gun clubs to register voters. †

"Companies have gone out of business, and will go out of business if this continues," said Robert Delfay, president of the organization that represents 1,800 companies. "This is a critically important election in our history."

Mr. Delfay said the commercials would run twice a night on CNN on all four days of the Republican convention. The group plans to do the same during the Democratic convention next month. It also intends to broadcast the spots throughout the fall in closely contested states with large numbers of hunters, including Michigan, Missouri, Ohio and Pennsylvania.

The foundation's advertising campaign, which Mr. Delfay said would cost several million dollars by Election Day, is the latest escalation of the gun-control battle this year.

The industry's politically potent ally, the National Rifle Association, which represents 3.8 million gun owners, plans to spend a record \$15 million on state and federal elections this fall. The group is expected to endorse Gov. George W. Bush, the presumptive Republican presi-

dential nominee.

And a loose coalition of gun-control groups has pledged to spend several million dollars helping to elect their friends, most of them Democrats. Handgun Control Inc., one of the coalition's leaders, plans to run commercials during the Republican convention that portray Mr. Bush as a pawn of the rifle association.

Last year, Mr. Bush signed legislation that prohibits Texas municipalities from suing gun makers without approval of the State Legislature. Enacting such bills in all 50 states is a top priority of the gun industry and the rifle association. Mr. Bush has suggested that he would sign similar federal legislation.

"You can get a feel for my position by looking at what I've done in office," he told reporters in May, "and what I did in office was sign a bill that made it very difficult for local municipalities to sue manufacturers of a legal product."

Mr. Bush's presumptive Democratic opponent, Vice President Al Gore, has been a vocal supporter of the litigation, as have Mr. Clinton and Housing Secretary Andrew M.

Cuomo, who has threatened to bring lawsuits against the industry on behalf of the public housing authorities.

Although the Shooting Sports Foundation does not plan to endorse a candidate, its members are voicing support for Mr. Bush.

"Governor Bush appears more willing to respect private citizen's rights of self-defense," said Jeff Reh, general counsel for Beretta U.S.A. "To us, the choice between the candidates is clear."

A lawsuit against the nation's largest gun makers has been filed by New York State; 32 cities and counties around the country, including New York City, have also filed suits. Most suits do not seek monetary damages, but are intended to force the manufacturers to build safety devices into their weapons and to take steps to prevent sales to criminals and black-market gun-runners.

In March, Smith & Wesson, the nation's largest maker of handguns, agreed to a "code of conduct" outlining many of those safety measures in exchange for being dropped from the litigation. But the company has backed away from

some provisions of the agreement, and also has been the target of a boycott organized by the rifle association.

The commercials represent the industry's first major foray into electoral politics. About 80 companies have pledged to contribute 1 percent of their gross profits for political and lobbying work, about \$10 million a year. Known as the Hunting and Shooting Sports Heritage Fund, the program is also paying for lobbyists, a voter registration drive and a voter education program.

Both commercials depict a man stripping the stars and stripes off an American flag, leaving nothing but a frayed white banner.

"We were with the patriots who fought for this flag at Gettysburg," the narrator says in one spot. "We were with the heroes who fought for these stars in the Mekong Delta. We are the makers of America's firearms."

Mr. Cuomo said of the manufacturers: "They are not on the side of the patriots. They are on the side of the criminals."

*Crime -  
Gun Industry*

## THE CONVENTION

# Pentagon Taking Opportunity for Show

By STEVEN LEE MYERS

WASHINGTON, July 27 — Despite a policy prohibiting military involvement in partisan politics, members of Congress and guests at the Republican National Convention will have an exclusive viewing of some of the Pentagon's latest hardware, including an aircraft that the expected Republican vice-presidential nominee, Dick Cheney, tried to kill when he was defense secretary.

Seizing what a spokesman today called "a convenient opportunity" to display some of its latest equipment, the Pentagon asked the armed services to ship — at taxpayer expense — weapons and other equipment to the former Philadelphia Naval Shipyard for what amounts to a three-day military trade show, beginning Saturday.

Defense Secretary William S. Cohen, the only Republican in President Clinton's cabinet, approved the display after receiving a written request earlier this month from Representative Curt Weldon, a Republican from suburban Philadelphia and senior member of the House Armed Services Committee.

Mr. Cohen did so, officials said, only after the Pentagon was assured that the hardware — and more than 150 service members accompanying it — would not be used for any political activities.

To emphasize the point, the assistant secretary of defense for legislative affairs, John K. Veroneau, sent Mr. Weldon a letter outlining certain conditions: in short, no photo opportunities.

Even so, the display will be a centerpiece of a series of events organized by Mr. Weldon for about 100 Republican colleagues and their families, who will be staying in old Navy billets at the shipyard during the convention at the First Union Center, less than a mile away. Included in the festivities, closed to the public, will be a "block party" fundraiser by Mr. Weldon on Monday.

"This whole thing is awkward," said Charles Lewis, executive director of the Center for Public Integrity, a nonprofit group in Washington. "All this sexy, multibillion-dollar hardware there to impress delegates is very smarmy and probably inappropriate. If there isn't a rule against this, it seems to me there

ought to be."

The Pentagon's role has even raised hackles among some military officers, who complained that, at best, it blurs the definition of what constitutes political activity. "To say this is not a partisan event is borderline absurd," one officer said.

Others at the Pentagon complained that the cost would have to come out of their own budgets, at a time they face spot shortages of money for readiness.

Despite those misgivings, some of the services now appear to regard the display as a chance to do a little lobbying of their own. "There's not a lot of enthusiasm for this," another official said, "but if they're ordered

## A weapons display near the Republican convention raises eyebrows.

to do it, they want to look good."

Among the aircraft to be displayed is the V-22 Osprey, which has crashed three times in the past decade. It is a hybrid with rotors that swivel so it can take off like a helicopter but cruise like a turboprop commuter plane. The Osprey has been beset by controversy over cost and mission as well as safety, and Mr. Cheney waged a long and unsuccessful battle against it when he was in the Bush administration.

In addition to the V-22, the Marines are sending an amphibious vehicle and equipment for its chemical- and biological-attack response teams. The Air Force plans to include an unmanned surveillance aircraft, the Predator, as well as missiles and bombs and story boards promoting its newest fighter, the F-22.

The Army, not to be outdone, has mobilized a virtual armory of equipment, including an Apache attack helicopter, its own unmanned aircraft and its troubled theater missile defense system.

The Pennsylvania National Guard is contributing an M1-A1 tank, an

armored personnel carrier and two more helicopters.

By contrast, the Navy is sending only an aging Sea Sprite helicopter from a nearby reserve unit, two surveillance vehicles and a small riverine boat.

Pentagon officials said today that it was too soon to put a cost on moving all the equipment to Philadelphia, though the Air Force estimated that its share would be at least \$100,000.

The Pentagon's spokesman, Kenneth H. Bacon, spent much of a news conference today defending the display. Mr. Bacon said that the events at the shipyard were an opportunity to provide what amounted to a briefing to lawmakers — without mentioning lobbyists and other influential Republicans who might happen by — but maintained that the display was not itself partisan.

"It is something that's contemporaneous with the Republican National Convention," he said. "It's not adjacent — it's not right on the grounds where the convention is being held. It's nearby, but not on the grounds."

Mr. Bacon also noted that Representative Robert A. Brady, a Democrat whose district includes the shipyard, supported the request, though he did not sign Mr. Weldon's request to Secretary Cohen.

Mr. Weldon's spokesman, Pete Peterson, said the congressman saw the shipyard, which is in the process of being closed and turned over for private development, as a convenient and secure location for his colleagues during the convention. Mr. Weldon, he said, was also eager to promote the shipyard's activities.

So is Richard A. Goldbach, the chairman and chief executive of Metro Machines, one of the largest military contractors at the shipyard. His company is erecting a tent to highlight its work, which includes ship rebuilding and demolition.

"It's pure and simple a promotion," Mr. Goldbach said.

So far, there has been no word from the Democrats, though Pentagon officials said they would certainly approve a similar request.

# Brazil's Taurus Shows Why Gun Makers Are Grateful to the U.S.

## Eager Market, Low Tariffs On Firearm Imports Help Global Industry Thrive

### Penalty for a Safety Lock?

By PETER FRITSCH  
And VANESSA O'CONNELL

Staff Reporters of THE WALL STREET JOURNAL

MIAMI — Like many gun makers overseas, Carlos Murgel keeps a weather eye on the U.S. market. He sees the growing pressure to slap more controls on handguns, and the lengthening string of municipal lawsuits seeking to force gun makers to pay some of the public costs of gun violence.

But the president of Brazil's Forjas Taurus SA can't afford to be cautious. Times are tough at home, with a relentless recession and proposals for ever-tougher gun laws. By contrast, the U.S. market remains lucrative and import-friendly, despite the antigun pressures.

So Taurus, already the source of nearly one in every 16 handguns sold in the U.S., plans to double capacity at its Miami plant this year to keep up with double-digit sales growth. Mr. Murgel also is considering a U.S. stock offering to finance further expansion.

#### Making Hay

The fact is, the U.S. is just about the only good news in the global handgun business. The international financial crisis that enfeebled many of the world's economies last year has combined with increasingly restrictive gun-control laws across the globe to make the U.S. more important than ever to firearm manufacturers outside its borders. Britain, which outlawed the sale of all handguns after an elementary-school massacre in 1996, is one of 29 countries that have severely restricted gun ownership in the past five years, according to a recent United Nations study. Companies like Taurus, Italy's Beretta SpA and Austria's Glock GmbH have never been under more pressure to make hay in the U.S. market.

And they're succeeding. In a trend that dates from 1985, when the U.S. Army abandoned the venerable Colt Model 1911 .45-caliber pistol for the sleek Beretta 9mm pistol, U.S. firearm manufacturers have been yielding market share to overseas competitors. Beretta's surprising success broke the ice for other foreign gun makers, who boosted their efforts to market pistols to the police and the general consumer. Some built manufacturing plants on American soil. By 1997, more than half of the two million handguns supplied to the U.S. market were either imported or produced locally by foreign companies, according to data from the Bureau of Alcohol, Tobacco and Firearms.

Closely held Para-Ordnance Manufacturing Inc. of Scarborough, Ontario, exports thousands of guns to the U.S. — including some small handguns banned in Canada. Glock imports its gun parts into the U.S. from Austria, where no individual can buy more than two guns. Germany's Heckler & Koch GmbH, a unit of British Aerospace PLC, began marketing its guns in the U.S. more heavily after demand for German military arms flattened following the reunification of East and West Germany. "When manufacturers don't have a domestic market, they have to look elsewhere," says Cameron Hopkins, editor in chief of Shooting Industry magazine.

There are hints of an American accent at Taurus. Mr. Murgel, who is 61, received his training as an industrial engineer at Louisiana State University. His office at the company's headquarters in the southern Brazilian city of Porto Alegre, sports a plaque inscribed with a North American mantra: "When guns are outlawed, only outlaws will have guns."

In Brazil's violent cities, where 90% of the murders are committed with guns, ownership restrictions have become so severe that Taurus has branched out into motorcycle helmets, bulletproof vests and auto parts. At the same time, the country's commitment to trim its huge budget deficit according to goals set by the International Monetary Fund means Taurus pays production taxes of more than 70%. And labor laws modeled on Mussolini's Italy force Taurus to pay local workers benefits equal to 123% of base salary.

"It's much smarter and easier to invest" in the U.S., says Mr. Murgel, who has a U.S. capital spending budget of \$8 million this year and hopes soon to add 500 jobs in Miami. Brazil's currency devaluation in January—which in theory makes Brazilian goods more competitive on world markets—means Taurus now has more incentive than ever to look north.

And the U.S. tariff structure for gun imports encourages Taurus and its foreign counterparts. American gun makers haven't been able to win the kind of protections enjoyed by many other politically powerful industries. Brazilian guns are subject to U.S. import duties of only 4.2% while Brazilian frozen orange juice can face aggressive U.S. tariffs of up to 50% when Florida citrus growers experience bountiful crops.



Carlos Murgel

(The tariffs on guns drop to zero for some countries, such as Canada, that have free-trade agreements with the U.S.)

For that, foreign manufacturers have gun wholesalers and the National Rifle Association to thank, says Ron Stilwell, former president of Colt's Manufacturing Co. In the 1960s, he says, domestic gun makers did push for protectionist measures, leading to a break between the NRA and the industry. "The NRA was trying to encourage anything" that would give more choice to users and help keep prices low, Mr. Stilwell says. Besides, limiting imports was seen as a double-edged sword. "It's a dangerous thing when you move to protect yourself because . . . you run the risk that you will become the subject of some gun-control movement," he adds.

In more recent years, U.S. gun wholesalers aligned themselves with importers in industry trade groups because guns made overseas typically carry higher profit margins. Since the late 1980s, that has given foreign gun makers a strong voice in the U.S. gun lobby, and one barely distinguishable from that of domestic competitors.

Meanwhile, U.S. gun makers haven't sought aggressively to limit imports by pressing their claims that other countries unfairly restrict access to their markets. Smith & Wesson Corp., which lobbied Congress unsuccessfully for higher import tariffs in the 1980s, has also filed two complaints with the U.S. Trade Representative's office in a bid to block Taurus's assault on its dominance of the U.S. revolver market, claiming that Brazil locks out foreign handguns by charging a stiff 23% import duty. Smith & Wesson lost one com-

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plaint and withdrew the other. "We didn't pursue it all the way," concedes Ken Jorgensen, spokesman for Smith & Wesson.

The old-line New England gun maker, which holds the leading share of the U.S. handgun market, is itself no longer American-owned. It was purchased in 1987 by Tomkins PLC of Britain.

To be sure, guns imported into the U.S. face numerous restrictions. The 1968 Gun Control Act forces such imports to meet certain safety, design and quality tests not required of guns made in the U.S. To discourage imports of small weapons, for instance, Congress requires that imported guns have barrels no shorter than three inches. But loopholes abound. Taurus's top-seller in the U.S., the Model 85, is an imported five-shot revolver retailing for around \$300. But its barrel is only two inches long, a standard length in the "concealed-carry/home-defense" market. Critics say Taurus imports a gun with a longer barrel to satisfy the rule and then mills the barrel down to size once it reaches the Miami plant—all of which is legal.

Taurus executive vice president Robert G. Morrison acknowledges the practice, saying the company "will customize firearms to meet the demand of wholesalers. There is nothing nefarious about it." (Taurus makes only small .22- and .25-caliber pistols in the U.S., which are almost impossible to import.)

Taurus, once a sister company to Smith

& Wesson under now-defunct parent Bangor Punta Corp. of the U.S., has carved out a solid position in the market for small, inexpensive handguns—just the sort of gun criminals tend to favor. That point hit home when a Taurus gun first sold in California wound up in the hand of the man who assassinated Mexico's leading presidential candidate during a 1994 campaign appearance in Tijuana. The company has also produced innovative lightweight handguns made from titanium and powerful handguns for hunting.

Originally a forger of small tools, Taurus made its first gun in 1941 and remained a producer of mediocre guns until Bangor Punta acquired the company in 1970. With the help of Smith & Wesson, Taurus gradually improved in both technology and quality. When Bangor Punta decided to sell both units in 1977, Mr. Murgel and a partner acquired control of Taurus. Three years later, Taurus bought a valuable Beretta factory in Sao Paulo, abandoned after Beretta's contract with the military government ran out. Until 1983, when Taurus opened a Miami distribution subsidiary for its growing product line, its guns were virtually unknown in the U.S.

Last year, Taurus earnings rose 107% to \$10.8 million on sales of \$108 million—roughly the same sales performance as Smith & Wesson. Overseas sales rose 20% to \$42 million. With roots in metalworking, Taurus is today recognized as one of the

most technologically sophisticated gun makers in the world. Its ability to cast for itself the springs, screws and finishings many competitors have to source outside make its Porto Alegre factory among the industry's most nimble and cost-efficient. In Miami, the company casts intricate metal pieces for a variety of other gun makers.

#### Safety Catch

Those skills could come back to haunt Taurus and the gun industry in general. An earlier round of Brazilian gun-control legislation in 1997 forced Taurus to get creative in its approach to the U.S. market. Seeking to stoke sales among U.S. families interested in guns for home defense, it rolled out what is believed to be the first safety lock built into a gun by a gun manufacturer. The small, round lock sits on the back of a revolver's hammer and opens with a tiny key. Taurus boasts that its built-in device—unlike standard, add-on trigger locks—can't be lost, broken or pried off.

But today, antigun groups view Taurus's new lockable guns as a key piece of evidence in lawsuits alleging that gun makers have long been able to design safer and more secure guns—an argument that manufacturers deny vehemently. Taurus's lock is "a demonstration that something can be done" to reduce crime and accidental shootings, contends Dennis Henigan,

legal director for the Center to Prevent Handgun Violence, which is serving as co-counsel in many municipal lawsuits. The Taurus lock "should have been made long ago and could have saved countless lives across the country."

That isn't to say that the Taurus lock will win the company any sympathy with jurors. "Someone could argue that Taurus recognized that there is a risk of injury or death, but that its lock—with a small key like the one from my sister's diary—doesn't adequately address the risk," says Stephen P. Teret, head of the Johns Hopkins University Center for Gun Policy and Research and an opponent of the gun industry.

Indeed, Taurus was one of three companies on the losing side of a high-profile lawsuit in which a federal jury in Brooklyn, N.Y., decided last February that gun makers had failed to take enough precautions to keep guns out of criminal hands. Taurus's extensive U.S. operations subject the company to the same legal liabilities as U.S. companies.

#### Banned in Brazil

In the suit, jurors scrutinized contracts between gun makers and their wholesalers to determine that three companies—including Taurus—distributed their guns negligently and should pay \$520,000 total damages to a 19-year-old boy with a bullet lodged in his brain. Defense lawyers are appealing the verdict.

But as frustrating to gun makers as the U.S. gun debate has become, for Taurus,

the situation in Brazil is worse. The state of Rio de Janeiro recently banned all firearm and ammunition sales, and now President Fernando Henrique Cardoso has introduced national legislation to outlaw the possession of firearms. In a country where most guns are bought and sold illegally, such measures would hit legal sellers like Taurus particularly hard.

Brazil's 1997 law, which requires gun owners to have unblemished police records and pass rigorous psychological and shooting-proficiency tests, has slashed Taurus's sales to private individuals by more than 80% in the past two years, Mr. Murgel says. Taurus has sought to make up for that with an aggressive push into motorcycle helmets and increased gun sales in the U.S., where Taurus's advertising spending is up threefold this year.

Mr. Murgel, who has become the de facto leader of Brazil's nascent gun lobby, says he remains attentive to the market implications of the legal arsenal now being directed at U.S. gun sellers. To offset potential declines in gun sales, Taurus at one point tried breaking into the U.S. market for helmets. That experiment came to a halt after Taurus had to pay a \$100,000 judgment to the family of a young man who died in a motorcycle accident while wearing a Taurus helmet.

At least in the U.S., says Mr. Murgel, the safer bet is to stick to guns. "Product-liability law for helmets in the U.S. is just crazy."