

Plan to Pressure Gun Makers Hits Some Snags

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Gun foes, led by the Clinton administration, are threatening to use the purchasing power of law-enforcement agencies to pressure gun makers into changing the way they do business.

But a close look at their plan reveals that the politicians' purse strings probably aren't as powerful as they claim.

The administration and 70 mayors nationwide have declared that when it comes time to buy new handguns, they want police in their jurisdictions to favor firearm makers willing to comply with sweeping restrictions in manufacturing and marketing. The goal is to reward Smith & Wesson Corp., which broke ranks with the gun industry when it agreed to such curbs last month.

U.S. Housing Secretary Andrew Cuomo, who is leading the initiative, estimates that governments at all levels together buy more than 500,000 police guns annually, or 25% of the overall handgun market. That, he says, is "considerable purchasing power to encourage gun manufacturers to make a safer product."

But the notion that a government can simply shift gun contracts to Smith & Wesson conceals a far more complex reality. Most jurisdictions that want to favor S&W would have to amend open-bidding laws that require guns and other items to be purchased based on price and quality. That process could take months or years in some areas. What's more, most police departments already have the guns they'll need for years, and police representatives say that many officers would resist any effort that deprives them of their choice of gun.

Executives with S&W, the largest U.S. handgun maker and a unit of Britain's Tomkins PLC, say they welcome any advantage they can get. In exchange for settling much of the government litigation filed or threatened against the company, S&W agreed last month to measures such as imposing restrictions on its dealers that go far beyond federal law and introducing a high-tech gun that fires only for authorized users.

But S&W rivals, all of which have refused to sign such a pact, say they aren't intimidated by government threats. "We're not taking this seriously," says Paul Jannuzzo, vice president of the U.S. unit of Austria's Glock GmbH. Glock makes the pistols that are most popular with U.S. police and derives half of its revenue from law-enforcement sales.

One reason for Mr. Jannuzzo's confidence, he says, is that in the past few years, Glock sold guns to "the vast majority" of the cities and states that ended up supporting the S&W preference. Those jurisdictions aren't likely to have to buy new guns for many years to come. Several of the biggest cities that have joined the Cuomo initiative, including Boston and New Orleans, confirm this assertion.

In Philadelphia, Mayor John F. Street was one of the first politicians to promise to favor S&W, but before he announced his support, the city had just completed its purchase of Glock pistols for its 7,000 officers. Barbara Grant, a spokeswoman for the mayor, acknowledges that the city's recent purchase could undermine the mayor's intentions. "We're in a tricky place," she says.

The way police guns are acquired in many cities also could lessen the impact of the S&W preference. Increasingly, police forces don't buy guns in bulk. Since officers often want a choice of weapons, some municipalities have arranged for them to use their own cash to choose from a list of approved models. In Miami-Dade County, for example, selections for members of the 3,000-person force include Beretta and Sig Sauer. S&W guns are also on the list, but police officers say those have become less popular in recent years as other companies churn out newer, sleeker pistols.

Local officials acknowledge they are reluctant to risk hurting morale by ending officers' ability to choose their weapon, even though Miami-Dade Mayor Alex Penelas embraced the Cuomo initiative early on. "Certain people have their own preferences, and those who want to go with Sig Sauer are not going to have a Smith & Wesson," says John Rivera, president of the union for Miami-Dade police.

Joe Ramallo, the mayor's assistant director for policy, says Miami-Dade is considering offering a \$100 rebate for selecting a Smith & Wesson—but the offer probably would be enticing only to the 100 or so rookies who buy new guns each year.

Other police representatives agree that their constituents would resist any directive to favor guns based on a manufac-

turer's willingness to settle politicized lawsuits. Choosing a gun is "a health and safety issue," says Jack Roberts, president of the Southern States Police Benevolent Association, which represents 18,000 officers in Georgia and eight other states.

Police chiefs also are worried about alienating their troops. Chief Trevor Hampton of Flint, Mich., faces the imminent replacement of the decade-old 9mm Smith & Wessons for his 350-person force.

The city's mayor has asked Chief Hampton to buy new S&Ws, but the chief's firearm experts have rated the Sig Sauer as more durable and accurate, and the police rank-and-file prefer the better-known and easier-to-shoot Glock. "If we had our druthers we'd go with the one the majority likes," Chief Hampton says, adding that he'll wait to see how the Flint City Council responds to the mayor's request.

Clinton administration officials maintain that they don't intend to pressure police into using unpopular guns. But "there is often more than one 'right' weapon that gets the job done," one administration aide says, and "once police officers hear that they will get the weapon they need, they accept the idea."

Still, some cities say that tight budgets may require them to refurbish service weapons rather than buy new ones. In St. Louis, another city that signed onto the Cuomo initiative, Mayor Clarence Harmon—part of the five-person board that controls the police department—has urged other members to consider buying new firearms only from companies like S&W that agree to new gun controls. But replacing the city's arsenal of 1,800 Beretta SpA pistols would cost \$500,000 or more. Board member Edward Roth says, "If we can meet our needs on \$75,000 of refurbishment, it doesn't make sense to spend a half-million dollars on new guns."

The police department of Akron, Ohio, also on Mr. Cuomo's list, already uses S&W weapons but says it isn't looking to replace them soon. "We currently use Smith & Wesson and have for 10 years," says Mike Woody, director of training for the 600-officer department. "We're not looking to replace them."

Officials within the Clinton administration and some coalition participants admit they have hit snags. "This won't immediately provide tons of business to Smith & Wesson but over time [the impact] will be felt," contends one Clinton administration aide.

Senator Charles Schumer (D., N.Y.) says he intends to introduce legislation that would get around the open-bidding laws and require federal law-enforcement agencies, such as the Federal Bureau of Investigation, to give preference to S&W. But Mr. Schumer will likely run into strong opposition organized by the National Rifle Association, which has vehemently condemned S&W's settlement as a sellout.

Guns
Procurement

Treasurys Rise on Renewed Tech-Stock Pullback As Many Investors Hang Back Ahead of Data

By JOHN PARRY
Dow Jones Newswires

NEW YORK — Treasurys got a boost from renewed weakness in technology stocks and concerns about the shrinkage in supply of government securities.

But many bond investors were laying low ahead of major economic reports later in the week, including a monthly retail-sales release from the Commerce Department.

Late yesterday, the 30-year Treasury bond's price was up 1/4 point, or \$5 for a bond with \$1,000 face value, at 108 9/32. Its yield fell to 5.664% from 5.697% late Friday, as bond yields move inversely to prices.

Ten-year Treasurys, which increasingly are being viewed as the market benchmark, performed even more strongly, gaining 18/32 point in price to yield 5.767%.

Early in the session, prices rose as the Federal Reserve Bank of New York made a \$726 million purchase of Treasurys maturing in three to four years. Such transactions—which bond traders refer to as “coupon passes”—don't have policy implications and are done to boost reserves in the banking system to accommodate growing demand for money.

Later in the day, a plummeting Nasdaq Composite Index helped to lift Treasurys prices further.

Investors often move money into the relative safety of the government securities market when stocks are falling sharply, and they did so yesterday, even though blue-chip stocks ended higher.

“The Nasdaq is the No. 1 factor at the back of peoples' minds,” said John Roberts, managing director of fixed income at Barclays Capital in New York.

Although the dive in high-tech stocks was the main force propelling Treasurys prices higher, expectations that the government will escalate its purchases of outstanding Treasurys also lifted 10-year and 30-year Treasurys.

Rumors abounded Friday that strong tax receipts would prompt the Treasury Department to buy back more than the \$30 billion in outstanding securities it has said it plans to repurchase this year. Talk also circulated that the department wouldn't sell any new bonds at the August refunding auctions.

The Treasury Department declined to comment on that speculation Friday.

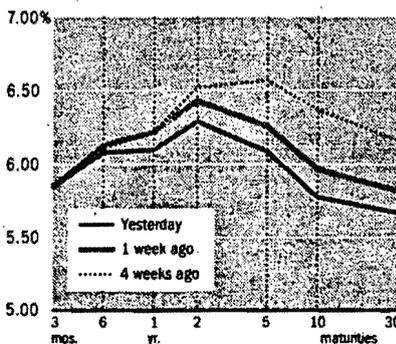
Particularly because of those expectations, the 30-year bond will continue to do better than the rest of the Treasurys market, said David Ging, a market strategist at Donaldson, Lufkin & Jenrette Securities Corp. in New York.

But for several more days, the bond market may have little to react to other than movements in equities prices, some people noted.

That is because many investors are

Treasury Yield Curve

Yields as of 4:30 p.m. Eastern time



Source: Reuters

YIELD COMPARISONS

Based on Merrill Lynch Bond Indexes, priced as of midafternoon Eastern time.

	4/10	4/7	-52 Week-	
			High	Low
Corp.-Govt. Master	6.72%	6.76%	7.15%	5.61%
Treasury 1-10yr	6.23	6.29	6.71	5.01
10+ yr	6.02	6.04	6.93	5.65
Agencies 1-10yr	6.97	7.01	7.26	5.58
10+ yr	6.63	6.64	7.34	6.01
Corporate				
1-10 yr High Qlty	7.15	7.20	7.55	5.70
Med Qlty	7.60	7.65	7.94	6.16
10+ yr High Qlty	7.52	7.54	7.85	6.47
Med Qlty	7.93	7.95	8.24	6.89
Yankee bonds (1)	7.43	7.46	7.79	6.42
Current-coupon mortgages (2)				
GNMA 7.50%	7.63	7.65	8.05	6.40
FNMA 7.50%	7.74	7.77	8.05	6.44
FHLBAC 7.50%	7.77	7.80	8.08	6.46
High-yield corporates	11.77	11.78	11.82	9.74
Tax-Exempt Bonds				
7-12-yr G.O. (AAA)	5.05	5.05	5.36	4.27
12-24-yr G.O. (AAA)	5.62	5.62	6.04	4.49
22+ yr revenue (A)	5.88	5.88	6.33	4.97

Note: High quality rated AAA-AA; medium quality A-BBB/Baa; high yield, BB/Ba-C.
(1) Dollar-denominated, SEC-registered bonds of foreign issuers sold in the U.S. (2) Reflects the 52-week high and low of mortgage-backed securities indexes rather than the individual securities shown.

sidelined ahead of economic releases this week, including retail sales and the producer-price index Thursday, followed by the consumer-price index Friday.

The PPI and CPI are key gauges of inflation and closely watched by the bond market. But many economists expect them to show only modest increases in the latest month. As a result, most attention likely will turn to Thursday's retail-sales release by the Commerce Department, which may shed light on how much impact higher short-term interest rates are having on consumer demand.

Many forecasters anticipate a March sales rise of about 0.2%, or in the 0.4% to 0.5% area if autos are excluded. In February, sales grew 1.1%, or 1% excluding autos.

Meanwhile, some bond investors hope stock prices will remain weak for a while. Those investors worry that any renewed stock rally would feed the “wealth effect,” boosting stock investors' confidence that because of swelling paper gains, they can afford to spend more.

“As the equities market, particularly

the Nasdaq, falls, that will slow consumer spending, which is what the Fed wants to see, and will also slow retail sales and limit the tightening that the Fed needs to do,” noted Mary Ann Hurley, vice president of fixed-income trading at D.A. Davidson, a Seattle brokerage firm.

Meanwhile, here are details of the Treasury's weekly sale of 13-week and 26-week bills:

Here are the details of yesterday's auction by the Treasury of 13-week and 26-week bills:
All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

	13-Week	26-Week
Applications	\$30,207,534,000	\$23,977,974,000
Accepted bids	\$8,504,164,000	\$7,502,974,000
Accepted noncompetitively	\$1,376,827,000	\$1,119,666,000
Auction price (rate)	98.564 (5.660%)	97.040 (5.855%)
Coupon equivalent	5.844%	6.117%
Bids at market yield	53%	78%
Cusip number	912795ET4	912795EG2

Both issues are dated April 13. The 13-week bills mature July 13, 2000, and the 26-week bills mature Oct. 12, 2000.

Agencies

Freddie Mac was preparing to sell \$3 billion in notes despite weakness in the agency debt market. The deal, expected tomorrow, is to include a \$2 billion reopening of 6% notes due January 2005, and \$1 billion reopening of 6% reference notes due September 2029.

J.P. Morgan Securities, Merrill Lynch & Co. and Morgan Stanley Dean Witter will be joint lead managers.

In trading, meanwhile, the agency market lost ground as investors shifted funds into government securities.

Yield margins between agency bonds and Treasurys, a key gauge of performance for fixed-income securities, widened by 0.03 to 0.04 percentage point across the board, according to traders.

Fannie Mae's 7% securities due 2010 were bid at 1.25 percentage points over Treasurys late yesterday, widening from about 1.19 percentage points Friday.

Corporate Bonds

Despite the renewed weakness in the Nasdaq, Global Crossing Ltd. entered the convertible bond market as scheduled, offering to sell \$750 million of convertible preferred securities.

The deal was expected to be priced late yesterday via Salomon Smith Barney and Goldman Sachs.

Participants are closely watching the Global Crossing deal to test the strength of the convertible market, which has lost some of its momentum amid the recent declines in the Nasdaq.

Price guidance on the 12-year securities calls for a dividend of 6.25% to 6.75%, with a conversion premium of 20% to 24%.

The issue will be noncallable for five years.

Convertibles are hybrid securities that can act like bonds or equity.

The offering from Global Crossing, a Bermuda-based undersea fiber-optic-network builder that was until recently a frequent borrower in the junk-bond market, comes as the junk market continues to suffer more than some other corners of the credit markets.

—Sheila Calamba and Jennifer Ablan
contributed to this article.