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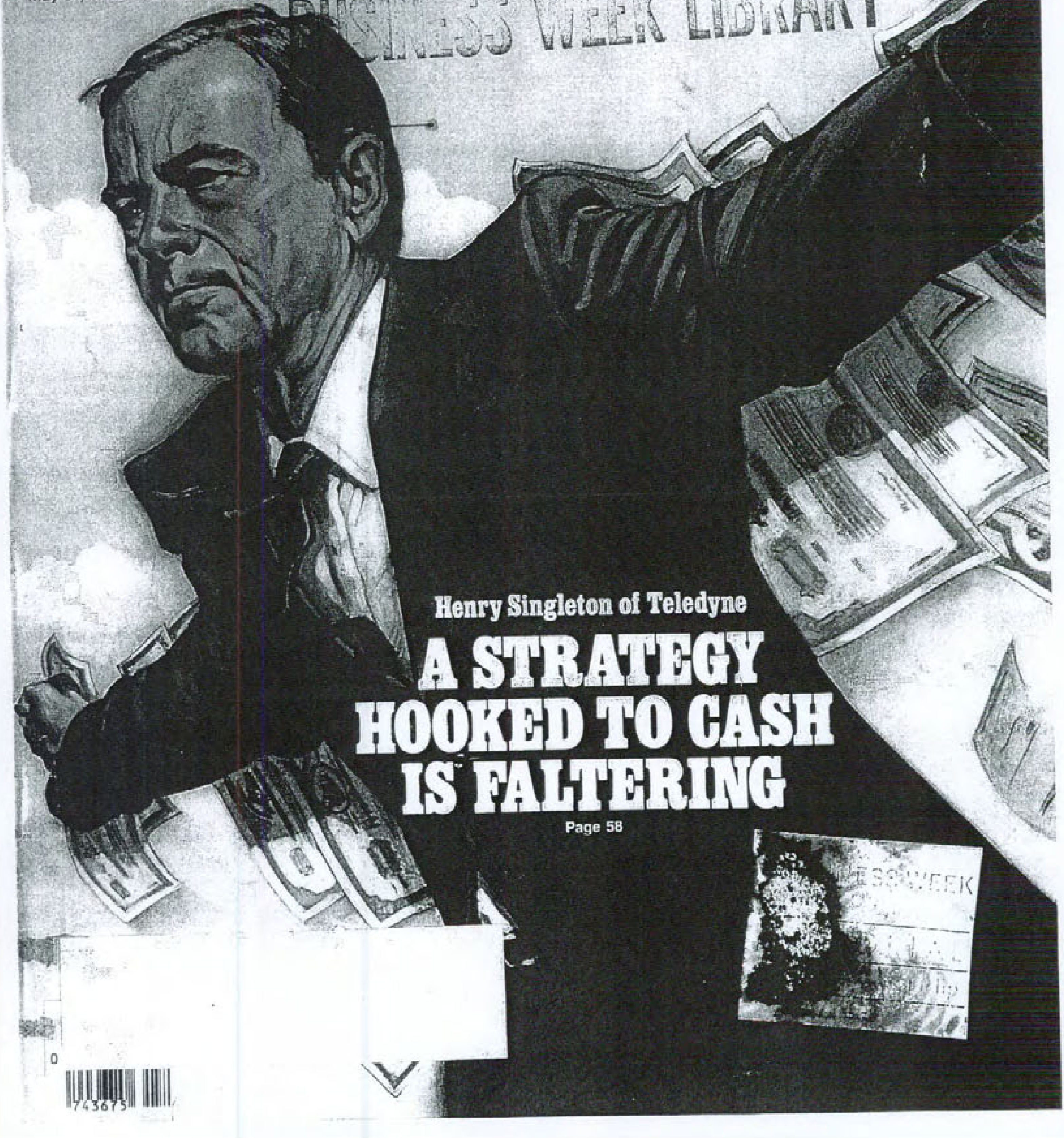
A McGraw-Hill Publication

BusinessWeek

May 31, 1982 • $2.00



Henry Singleton of Teledyne

A STRATEGY HOOKED TO CASH IS FALTERING

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Henry Singleton of Teledyne

A STRATEGY HOOKED TO CASH IS FALTERING

Led by its reclusive founder, Henry E. Singleton, Teledyne Inc. pursued two different strategies over two decades, flourishing as other conglomerates foundered. In the 1960s it devoted itself to straight acquisition, putting together 150 companies as a base for the second, 1970s phase of its plan—siphoning off these companies' earnings to build a huge portfolio of stocks. But today a double whammy is hitting Teledyne: Many of its largest stock investments are crumbling in value, and its cash-squeezed manufacturing and service companies are taking a drubbing in several of their most important markets.

For years, Singleton has wrung cash from Teledyne's wholly owned manufacturing units by reinvesting only a small portion of their earnings in research and development and plant and equipment (chart). In his drive to build Teledyne's stock portfolio, Singleton made little distinction between the company's mature operations and its growth businesses, demanding almost equal returns from both. Now Teledyne the cash cow is drying up, and Teledyne the portfolio manager seems to have lost its investment wizardry.

That may be why the company appears to have reversed course again this year, heading back to the acquisition trail. It tried unsuccessfully to buy Chrysler Corp.'s tank business—Singleton's first big acquisition bid in 13 years. Although he denies it, Singleton may be tacitly conceding that a strategy based on milking operations to play the stock market cannot go on forever.

To be sure, Singleton has given Teledyne a $2.9 billion stock portfolio that includes a 26% stake in Litton Industries Inc. and 52% of Curtiss-Wright Corp. Viewed as a financial genius when he made smart stock picks, Singleton built investment income into a sizable part of Teledyne's total earnings. In 1981, when Teledyne had operating profits of $734.3 million, fully $326 million was investment income from stock dividends, interest payments, and Teledyne's equity in profits earned by companies of which it owns more than 20%. The equity earnings—$109.2 million pretax last year—were a balance-sheet entry, of course, for which Teledyne received no actual cash.

Chairman Singleton: Portfolio value is sagging, while operating profits are drying up.

Kenneth A. Rogers

Now many of Teledyne's investments look weak. One of them—16% of ill-starred International Harvester Co., purchased mainly during the past 18 months—recently showed a paper loss of $100 million. Overall, Teledyne's common stock portfolio lost some $380 million last year. This unreported loss almost matched the company's reported net income in the same period: $412 million, on revenues of $4.3 billion.

Far more serious, Teledyne's manufacturing operations, starved of corporate resources, are starting to lose competitiveness. In a wide range of its businesses—including defense, consumer products, oil services, and metals—Teledyne has either missed opportunities or is losing market share, new contracts, or its technological edge.

Decay is even more advanced in the company's insurance operations, which contribute 25% of total revenues. Insurance lost $79.2 million before taxes and interest in 1981, and the units are slipping in rank in their industry.

Singleton, however, seems unperturbed about the operating problems. Nor does he view his abortive Chrysler bid, which he calls an "isolated instance," as a change in strategy. In a rare interview with BUSINESS WEEK, he disclaims ever having a business plan for Teledyne. "My only plan," he says nonchalantly, "is to keep coming to work every day."

Yet Singleton has clearly steered his company in two different directions during the past, and now he will probably have to change course again. In the 1960s, when con-

CORPORATE STRATEGIES

glomerates were kings, Singleton ensured steady earnings increases by trading Teledyne stock to make a torrent of small acquisitions. In the 1970s, when diversification fell out of fashion, he stopped acquiring and started using corporate money to build a stock portfolio.

The second strategy worked in one respect. Although Teledyne never paid dividends, it became one of the top U. S. companies in terms of total rewards for its stockholders. Singleton managed this by making a lot of good decisions in the stock market and by using Teledyne's cash to repurchase 75% of its own outstanding shares. The repurchases boosted per-share earnings fast, along with the market price of Teledyne stock. They also enabled Singleton, who held on to his own Teledyne shares, to amass 7.8% of the company's stock. As Teledyne's founder, sole leader, and largest private shareholder, Singleton does admit to one plan: to stay on the job beyond normal retirement age. He is 65.

Observers suspect he can easily do so. But Singleton will have to spend these latter years paying more attention to the base businesses. Although the company's manufacturing units showed an operating earnings increase of 21% in 1981, danger signals are beginning to emanate from all over Teledyne's empire. Ominously, first-quarter operating profits in manufacturing slumped 12%, and a more precipitous decline is expected for the second quarter.

'A lagging indicator'

Singleton dismisses the current downturn as a typical result of the company's heavy mix of capital-goods businesses, which tend to suffer late in any general recession. "We are a lagging indicator," he says. But Teledyne watchers, including competitors, argue that the problems run deeper than Singleton lets on.

In offshore drilling, a profit gusher for the company in recent years, Teledyne's timing has been off. It failed to expand its six-rig fleet during the boom years. "Teledyne has sucked a lot of money out [of offshore drilling] and not put much back in," says Loran R. Sheffer, president of Offshore Rig Data Services Inc. in Houston. What is worse, Teledyne will finally take delivery of a new, $45 million unit later this year—just as the oil glut is torpedoing the rates commanded by drilling rigs. Industry observers estimate the company will need a $45,000-per-day contract on the new unit to make its investment pay off but predict that it will be lucky to settle for two-thirds of that amount.

Outsiders see the Chrysler bid as an attempt to shore up another Teledyne unit, its sagging Continental Motors tank-engine operation in Muskegon,

Teledyne is highly diversified...

Industrial products and services
$1,203.7*
Tank engines • Offshore oil drilling
Geophysical services • Solid rubber tires
Toxic waste disposal • Machine tools

Insurance and finance
$1,104.4*
Life insurance • Consumer finance
Property and casualty insurance

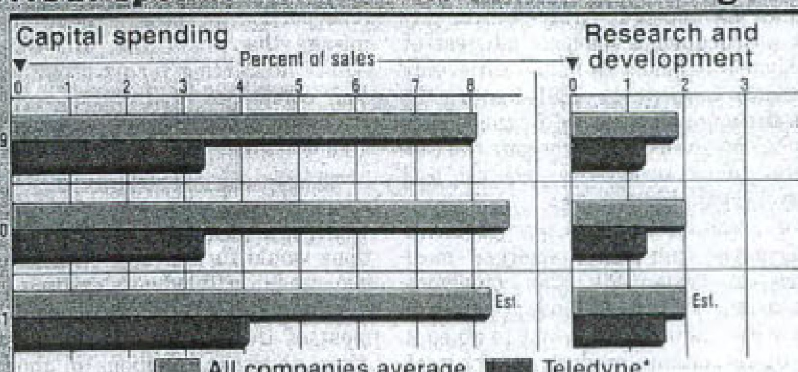
Specialty metals
$870*
Zirconium • Steel alloys
Tungsten • Titanium
Casting and forging

Aviation and electronics
$865.2*
Piston and turbine engines
Robot aircraft • Relays
Navigation systems
Flight control computers

Consumer
$298.7*
Water Pik dental appliance • Shower Massage • Electronic retailing
Dental supplies • Stereo speakers • Swimming pool heaters

Data: Teledyne Inc. reports
*1981 revenues, in millions of dollars

...but spends little on its manufacturing...



Data: Standard & Poor's Compustat Services Inc., BW estimates
*Manufacturing sales only

...to free cash for stock investments

Companies	Teledyne holdings: Number of shares owned (thousands)	Teledyne holdings: Percent of ownership	Market value Dec. 31, 1981 Millions of dollars	Percent change in value since Dec. 31, 1980*
Aetna Life	4,445	6%	196	+24
Borden	1,481	5	41	+ 9
Brockway	2,275	33	33	+ 4
Colt Industries	1,145	8	64	+24
Connecticut General**	2,269	6	113	+ 8
Crown Cork	1,204	8	36	+ 6
Curtiss-Wright	2,602	52	107	Unchanged
Dart & Kraft	2,376	4	121	+16
Exxon	4,046	****	126	−14
Intl. Harvester***	5,497	16	47	−59
Kidde	3,898	21	91	+ 3
Kimberly-Clark	888	4	58	+23
Litton Ind.	10,400	26	586	−35
Mobil	2,375	1	57	−29
National Can	1,227	14	26	− 6
Reichhold Chem.	1,535	22	17	− 4
Security Pacific	1,310	5	53	+19
Texaco	5,633	2	186	− 9
Travelers	2,251	5	99	+13
Wells Fargo	1,103	5	28	−11
60 other companies	NA	NA	838	− 5
TOTAL	NA	NA	2,923	−11

*Adjusted for purchases during 1981 **Merged into CIGNA on March 31, 1982 NA = not available
***Includes 1.7 million common-equivalent shares of convertible preferred stock ****Less than 1%
Data: Computer Directions Advisors Inc., company filings, BW estimates

Mich. The Chrysler unit, prime contractor for the new M-1 tank, was captured by General Dynamics Corp. for $336 million. Teledyne had offered $300 million.

Until the turbine-powered M-1 was introduced in 1980, Continental supplied diesel engines for all U.S. tanks. Defense experts expect future generations of U.S. tanks to be turbine-powered, so that Continental will be relegated to the replacement-engine market for existing tanks. In fact, Pentagon officials sighed with relief when Teledyne lost the Chrysler contest. "Continental is stagnating," says a Washington source. "The Pentagon wanted a live-wire company building the tanks."

The decline at Continental may be the best example of the operating problems facing Singleton. Last year he watched the unit make an embarrassing attempt to persuade the Army to use one of its diesel engines for the M-1. Army sources say that a scheduled 1,000-hour lab test of Teledyne's engine was halted after only 218 hours on Sept. 14, 1981, because by then the engine had failed 51 times. The failures involved a turbocharger, fuel injection pump, variable fan control, and supercharger drive system.

The reasons for these new problems at Teledyne units have emerged most clearly at Water Pik, the company's best-known consumer-goods operation. Water Pik shows profits—but to do so it had to discontinue product development spending and cut advertising and marketing support drastically (page 61).

Singleton's bid to garner the M-1 business by purchasing Chrysler surprised longtime observers. It marked a "highly significant change" in direction for the company, says Robert M. Hanisee, president of AMDEC Securities in Los Angeles. For years, Singleton has disparaged the wave of high-priced takeovers in U.S. industry, saying he preferred to buy smaller chunks of companies in the stock market for well below book value. But on the Chrysler offer, he bid three times book value.

With its bulging coffers, Teledyne could prove a formidable player in the acquisition game. Most of the company's $2.9 billion wad of stock is sequestered in the policy reserves of its insurance units, where state regulators discourage the use of such funds for big takeovers. But Teledyne has ready access to almost $1 billion—$622 million in cash and securities at headquarters and $360 million in short-term loans to its unconsolidated insurance subsidiaries. With only $629 million in long-term debt, or 27% of total capital, Teledyne could probably borrow an additional $1 billion.

Singleton claims he has never had a long-term business plan for the company he founded

But diverting its investment trove into acquisitions could prove perilous to Teledyne's earnings, partly because those profits have grown to depend on investment income. The 45% of total operating profits provided by investments last year grew from just 15% three years earlier. Admittedly, analysts scorn a sizable portion of these earnings as more mirage than substance. Teledyne uses equity accounting for its investments in four companies—Litton, Curtiss-Wright, Brockway, and Reichhold Chemicals—adding a share of their earnings into the parent company's even though no cash changes hands.

The real danger could be that acquisitions would further divert cash from reinvestment in Teledyne's existing operating units. When Teledyne acquired them, most of the companies boasted strong, often dominant, positions in their markets. For example, Teledyne's Wah Chang operation in Albany, Ore., had a virtual monopoly on free-world production of zirconium, a crucial metal in building nuclear reactors.

Offshore oil drilling has gushed profits for Teledyne in recent years, but the company's timing has been off in acquiring new rigs.

But Wah Chang, where production capacity has been stagnant for a decade, watched French producers walk off with some 40% of the market by 1980. And this year a new zirconium plant built by Westinghouse Electric Corp. in Utah may pare Wah Chang's share to less than half of the estimated $150 million free-world output. Although Teledyne does not break out profit figures for its units, Wah Chang is also believed to be reeling from the recent dive in specialty metals prices.

In his recent interview with BUSINESS WEEK, Singleton offered no prescription for Teledyne's declining fortunes. "I like to steer the boat each day rather than plan ahead way into the future," he says. And although associates credit him with almost total recall of business details, Singleton claimed not to know such operating data as the number of seismic crews recently laid off at the company's geophysical unit in Houston.

Teledyne's chief is equally uncommunicative in his dealings with the financial community and shareholders. The company's Fireside Thrift & Loan, a California consumer finance unit with $125 million in deposits, rated seven pages in Teledyne's 10K report to the Securities & Exchange Commission when it was profitable in 1979. Since then the unit has lost more than $4 million pretax each year and turned in one of the worst performances among the state's 50 thrifts. But Fireside's results were boiled down to a single line, labeled only: "Equity in net loss of unconsolidated subsidiary."

Interviews with more than a dozen former Teledyne executives—many of whom admire Singleton—provide insight into some sources of the company's troubles. Teledyne's top officers are immersed in an incredible meeting schedule. Approximately 390 meetings a year, for example, are held with officers of 130 units designated as profit centers. Singleton himself attends most of the important sessions, while his second-in-command, President George A. Roberts, attends all the meetings.

Manufacturing units have apparent autonomy in devising their own plans. But a tacit imperative has been deeply ingrained in Teledyne's corporate culture. "Their philosophy is that cash is king," says Eugene Rouse, former head of Water Pik. All profit-center managers are viscerally aware that Singleton wants his businesses to be net generators rather than users of cash. That syndrome is reinforced by a compensation package stressing rewards for turning cash over to headquarters—a reward system not uncommon in business but reportedly heightened in importance at Teledyne.

The stress on cash generation helps explain how such vital expenditures as those for research and development can get short shrift. Indeed, Teledyne spends an average of less than 1.5% of manufacturing sales on its own research, more than 25% below the all-industry average. "Henry likes cash cows where the money keeps churning out," says a former electronics executive who left Teledyne to form his own company. As a result, he continues, the emphasis is on "updating the product with ingenuity," not money.

Such penny-pinching on product development has proved especially costly at the company's San Diego-based Ryan Aeronautical subsidiary, formerly the premier producer of robot aircraft used for military target practice and reconnaissance. Ryan's Firebee model controlled 75% of the market in the early 1970s, defense sources estimate. But Teledyne's emphasis on garnering cash from its operations opened the field to more innovative rivals. Northrop Corp., for example, has introduced cheaper, easier-to-launch alternatives that rely on sophisticated electronics to match the Firebee's capabilities. Consequently, the Firebee faces a minuscule production run this year and will likely be shot down entirely in next year's defense budget.


Kenneth A. Rogers

President Roberts and Singleton "manage by numbers," contacting executives only when performance lags.

In line with the cash-generating philosophy, Teledyne's manufacturing units get little input from either Singleton or President Roberts if they achieve their goals. "They manage you by numbers," says former executive Rouse. "As long as you are performing, you never hear from them."

But the consequences of coming up short can be excruciating. At budget review meetings the craggily handsome Singleton turns "hard, cynical, and cold," speaking in measured, clipped tones "like he's biting a bullet," recalls a former associate. Singleton has been known to explode in rage if a subordinate speaks out of turn. Teledyne officials "quake in mortal fear" of Singleton, says one retired company executive.

Deepening their fear is Singleton's stated preference for summarily closing down weak units rather than selling them. He folded Teledyne's big Packard-Bell television manufacturing operation in 1974, for instance, when an expansion effort failed.

But walking away from its problems has not always worked for Teledyne, as the company is now discovering at its toxic waste disposal unit, U. S. Ecology Inc. In 1979 the subsidiary tried to abandon a low-level nuclear waste dump, after it was filled up, that it had operated for 11 years on land near Sheffield, Ill., leased from the state. Enjoined by court order from leaving the site, U. S. Ecology continues to monitor and maintain the facility, although it no longer gets revenues from new shipments.

Earlier this year radioactive tritium—so far not at hazardous levels—began to leak from the dump into nearby private property, creating potential liability for damages. "I don't feel we have any li-

The string of flops that clogged Water Pik

The decay that remains hidden at many Teledyne Inc. operations is rapidly becoming evident at the company's Water Pik subsidiary, maker of such familiar products as the Water Pik dental appliance and the Shower Massage pulsating showerhead. After an initial success with new-product launches, Teledyne now appears to be siphoning cash from Water Pik with little regard for the offshoot's future health.

At first the 1967 purchase of the outfit, based in Fort Collins, Colo., proved to be one of Teledyne's star acquisitions. Revenues soared to $130 million by 1976 from less than $20 million before the takeover. Sales of the Water Pik device that gave the company its name continued to grow, peaking at about 1 million units that year. The Shower Massage, launched in 1973, became one of the hottest gift items of its time, and its sales spurted to 9 million units.

Absurd device. But the company stumbled badly when it introduced a string of new products that flopped. Mothers snubbed the company's Nurtury baby food grinders, preferring household blenders. And what one former insider calls "the most absurd consumer product ever devised"—an electronic counter of a dieter's bites that signaled how fast to chew—met a quick death. Both the Instapure water filter and the One Step At A Time cigarette filter, rolled out in the mid-1970s and still being distributed, are reported to be barely profitable.

After these sorry events, Teledyne virtually shut down new-product development, leaving Water Pik dependent on two main lines: the Shower Massage, which is down about 75% from its peak sales level, and the now 20-year-old Water Pik, which has plummeted almost one-third from its high point. The only product the subsidiary has introduced recently—the Smart Tip cigarette filter, which cuts tar and nicotine intake by 50%—has had a slow start since its debut last year.

Water Pik's sales have dropped 50%, to $65 million, since 1976. Expenses have been slashed, too. For example, advertising costs have been cut more than 80% over the past six years. Sources say Teledyne has kept the unit strongly profitable. But with aging products and weak promotional support, Water Pik is almost certainly headed for troubled times.

ability there," says Singleton without elaborating. But the Illinois attorney general has sued U. S. Ecology for $97 million in damages, and negotiations between the state and the company continue. The Teledyne unit operates three other nuclear and toxic waste disposal dumps elsewhere.

Until recent years, Singleton gave his insurance subsidiaries operating autonomy within the same tight performance parameters as his manufacturing operations. But an earnings debacle at one unit, Argonaut Insurance Co., changed all that. To boost earnings, Argonaut chased after risky medical malpractice insurance in the early 1970s, ultimately sticking Teledyne with a $105 million pretax loss in 1974. At the time, say state insurance officials, Singleton carefully pondered the impact of letting Argonaut go bankrupt. Instead he stepped in, got rid of all Argonaut's top officers, and uncharacteristically gave the unit a needed infusion of cash.

"Since then, we have stayed very close to the details of those [insurance] businesses," acknowledges Singleton. One former officer describes Singleton's role in the units as "unbelievable involvement of a chief executive in minor decisions." Singleton reportedly decided, for example, which of several small branch offices should be closed down in an austerity drive at one Argonaut subsidiary.

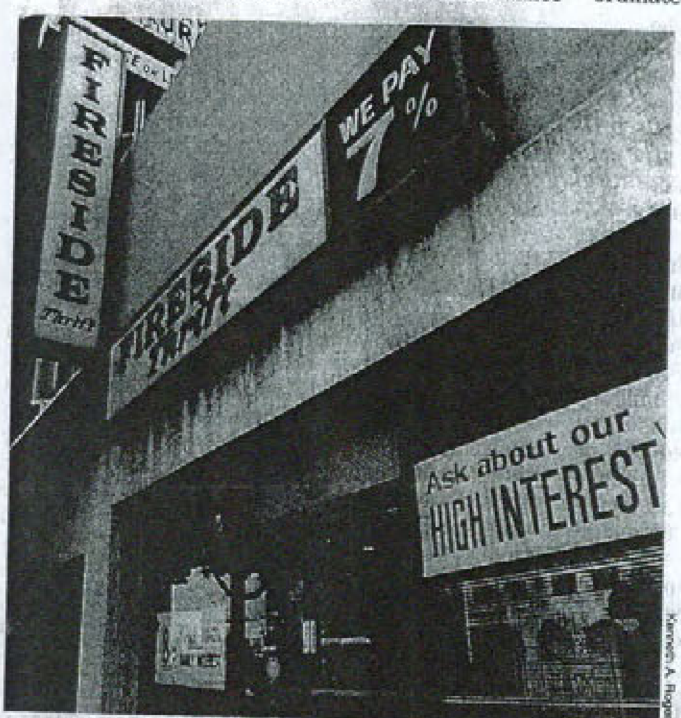
In spite of such close scrutiny, the results of Teledyne's insurance operations have been mediocre. According to A. M. Best Co., which analyzes insurance companies, Teledyne's major life insurance subsidiary, United Life Insurance Co. of America, fell to 68th place in its industry in 1980, from 47th in 1970, in premium revenues. At the same time, Teledyne's property and casualty units, primarily Argonaut and Trinity Universal Insurance Co., dropped to 40th from 33rd by the same measure.

On underwriting results, another key yardstick, the property and casualty units ranked a dismal 74th among the 100 top firms in 1980. Industry sources believe that Argonaut is also being hurt by rate-cutting in one of its major lines—California workers' compensation insurance.

While Singleton pays extraordinary attention to insurance, managing Teledyne's stock portfolio is dearest to his heart. Right now, he has weighted the portfolio heavily with international oil producers, conglomerates, banks, and insurance companies. Since he began his dedicated stock purchases in 1976, Singleton has racked up some spectacular gains. His 26% stake in Litton, for example, purchased for an estimated $140 million, soared above $900 million before sliding back to its current level of $470 million. But last year, Singleton's winning gambles on takeover plays such as Conoco and Norris Industries were skunked by such losers as Mobil Oil and International Harvester.

Singleton's fascination with Teledyne's financial side is surprising in light of his background. After earning his PhD in electronics at Massachusetts Institute of Technology, he put in brief stints at General Electric Co. and Hughes Aircraft Co. before coming to prominence as head of Litton's Guidance & Control Systems Div. He left in 1960 to found Teledyne after a clash with Litton's financial chief, Roy L. Ash, now better known as architect of AM International's abortive plan for becoming a high-technology company. Associates say that Singleton, an operating man by training, learned one crucial lesson from Ash: The person at the financial throttle exercises terrific control.

Whether his enthusiasm for stock market plays will continue to determine Teledyne's future is an open question—one that Singleton himself will probably decide. An avid jogger, he says he has no intention of giving up control of Teledyne—despite his age—"while I'm still healthy and strong." Insiders indicate that President Roberts, 63, makes none of the important strategic decisions.



Teledyne's California consumer finance unit showed a $9 million pretax loss in the past two years after doing well in 1979.

They also note that the president's outgoing style contrasts sharply with Singleton's icy reserve.

It may be that Singleton's strategy will come under more pressure from Wall Street than from insiders or the company's six-member board, which includes such luminaries as Arthur Rock, the legendary venture capitalist. Teledyne pleased Wall Street for years: Its stock repurchases between 1972 and 1980 helped push its share price to $175 by mid-1981, from $10 when the repurchases began. But since then, in a troubled market, Teledyne stock has declined to a recent price of $119. As the company's operating difficulties become more obvious, Wall Street analysts—as unforgiving as Singleton is with his own subordinates—could quickly turn from allies into enemies.

Singleton now seems to have three main options for resuscitating returns to shareholders. Teledyne can continue to buy its own stock—a tack that cannot continue indefinitely. Or it can try the acquisition route, as it did with Chrysler's defense unit. Although it is often rumored to be a takeover target, Litton is probably too pricey for Teledyne's pocketbook.

The third option—and least likely, in most observers' views—is for Teledyne to try to regain its lost operating muscle by boosting investment in its current businesses. The company still has some potential powerhouses in its vast stable. In defense, which accounts for about 15% of manufacturing sales, Pentagon officials praise Teledyne CAE, a turbine-engine maker in Toledo. CAE now has less than $40 million in sales, but as prime producer of engines for the Navy's Harpoon missile and as second-source supplier (after Williams International) of cruise missile engines, it is in line for fast growth. Teledyne also has a number of small but respected machine-tool units that could provide groundwork for expansion.

Singleton will have to bolster all his operations to restore the manufacturing base that once bankrolled his stock market plays. But a Catch-22 is involved: To have enough liquidity to boost capital investment and research significantly, Singleton might have to dismantle at least part of his portfolio, at a time when the market is down. True to his reputation, he offers no hint about what he will do, although Teledyne's future hangs in the balance. ■

Readers report

Disputing Guyana's border

While "Guyana's oil is fueling a territorial dispute" (World trade, May 3) was most informative, I must bring to your attention a factual inaccuracy. You assert: "It [Venezuela] never fully accepted the terms of the Tribunal's 1899 border decision [with Guyana]."

Britain and Venezuela had agreed in advance to consider the result of the proceedings as a final settlement of all the questions referred to the arbitrators. The award made in 1899 was the subject of appreciatory comments from responsible quarters in Venezuela. More important, during the years 1901-02 the boundary as defined by the award was laid down on the ground by a Venezuela/British Mixed Boundary Commission. On Jan. 10, 1905, the boundary commissioners unanimously signed a joint report that, with boundary map, was accepted by both governments.

In 1932, Venezuela reaffirmed the boundary when it agreed, together with Guyana and Brazil, to the boundaries of the three countries where they meet.

Cedric H. Grant

Ambassador
Republic of Guyana
Washington

■ *Nonetheless, Venezuela's Foreign Ministry in April, 1981, said President Luis Herrera Campins has "firmly ratified the existence of the Venezuelan claim" on the disputed Essequibo region of Guyana. The area, he said, was "illegally expropriated from our country by the 1899 arbitration, which has never had validity and for which reason we do not recognize."*

Health insurance blues

The article entitled "A health insurer that needs a cure" (Social issues, May 10) makes it appear that the Blue Cross and Blue Shield organizations uniquely suffered losses in 1980 and 1981. Brief reference is made to Prudential Insurance Co.'s losses. (In 1981 they were reported as $290 million, a far greater percentage of income than Blue Cross & Blue Shield losses.) In fact, 1980 and 1981 were bad years for many carriers, health maintenance organizations, and the government's medicare and medicaid. Government and private actuaries across the board made lower hospital expenditure projections than ever realized. However, it is important to keep in mind that approximately 75% of the problem was due to inordinately high inflation rates.

One further note. I did not retire because the plans would not modernize their operations or their offerings. After 20 years as CEO, it was time for someone else to take over. Barney Tresnowski, with whom I have worked closely for many years, is a dynamic successor who will provide excellent leadership.

Walter J. McNerney

Professor of Health Policy
J. L. Kellogg Graduate School
of Management
Northwestern University
Evanston, Ill.

■ *BUSINESS WEEK reported the industry's broader woes in "The spiraling costs of health care, Rx: Competition" (Economics, Feb. 8).*

Apropos of your article on Blue Cross & Blue Shield, add another unnecessary cost to its mounting deficits, one to which I can attest.

Several years ago my hospital bill included the room charge for the day I was discharged. I had checked out at 9 a.m., two hours before the checkout deadline. I called the Blue Cross office in Manhattan with this information. Since my name wasn't taken, I realized the lady taking the call didn't concern herself with my report. I then wrote to the association. I did not receive an acknowledgment.

During another hospital stay, I spoke with a lady who was to be discharged and awaiting her pickup. When I suggested that she check out since her son might be delayed, she said: "It doesn't matter. I don't have to pay for it."

Patients should check their statements carefully and report any discrepancies, for they are paying for them. Blue Cross should educate them toward this end.

Ann Perry

Staten Island, N.Y.

Expansion at Marriott

"Expansion at Marriott hits a financial snag" (Corporate cash, June 7) paints a picture of the company's financial strate-

BUSINESS WEEK July 5, 1982 • 2746
ISSN 0007-7135

Published weekly, except for one issue in January, by McGraw-Hill, Inc. Founder: James H. McGraw (1860-1948).
U.S. subscription rate, $34.95 per year; 2 years, $59.95; 3 years, $79.95. Write for rates in other countries. Single copies $2.
Please allow four to six weeks for shipment.
Executive, Editorial, Circulation, and Advertising Offices: McGraw-Hill Building, 1221 Avenue of the Americas, New York, N.Y. 10020. Telephone: 997-1221. Domestic Telex: 12-7960; International Telex: 232365; Cable: McGraw-Hill New York; TWX: 710-581-4879.
European Circulation Center, McGraw-Hill House, Maidenhead, Berks. England-Tel. (0628) 23431-Telex 848640.

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gy and prospects that is misleading.

Having achieved our goals of 20% or more annual increases in earnings per share and return on equity even in the current economic environment, we see no signs now that "Marriott may have to slow down." Hotel projects that will double the existing number of Marriott rooms by 1985 are already in place, our Gino's acquisition gave us the equivalent of three years' worth of Roy Rogers unit expansion, and our Host International acquisition greatly strengthened our position in airline terminal restaurants and shops.

We believe we can continue this growth by prudent use of debt and by the development of new funding sources. Our hotel limited partnership, which is but one of those sources, was in no way "jeopardized" by our decision to withdraw from Virginia. It is available in 36 states, including, contrary to your report, Oklahoma, Pennsylvania, and Texas. With regard to debt, we try to keep our coverage at about $4 of income for every dollar of interest expense, and we are currently right on target.

Gary L. Wilson

Senior Vice-President,
Finance & Development
Marriott Corp.
Washington

Success and failure at Teledyne

Regarding your article "Henry Singleton of Teledyne: A strategy hooked to cash is faltering" (Corporate strategies, May 31), I found gross simplifications of Teledyne's rather elaborate, well-conceived, and well-executed business judgments and strategies.

The company has utilized a multiplicity of strategies, as opposed to just two, and the timing of the strategies' adoption has been nothing short of brilliant. While I and Teledyne will readily concede having their share of mistakes (International Harvester Co. being the most visible), your article chose to concentrate on what appears to be a half-dozen examples of isolated difficulties without consideration of the overwhelming successes of the company.

Leon G. Cooperman

Chairman
Investment Policy Committee
Goldman, Sachs & Co.
New York

People are the danger

We have been besieged by telephone calls, including some by medical doctors, complaining about my attributed comment in "Picking your way through the maze of personal cassette players" (Personal business, Apr. 26), [which] would seem to suggest that people can suffer damage from listening to Walkman II.

Amplifying devices such as the Walkman II are not dangerous in themselves, but people can pose the danger if they turn the volume to very loud listening levels. Even when volume levels are turned up dangerously high, it does not necessarily mean that nerve damage will result. If the ears' nerve fibers relax between exposure to such levels, the danger can be greatly mitigated. The danger is greatest when the decibel level is too high and there is prolonged exposure without reprieve. The combination of the intensity of the sound levels and the continuous exposure poses the greatest threat to hearing.


Thom O'Connor

What hurts the ear: It's the combination of high volume and prolonged listening.

Joseph J. Rizzo

Executive Director
Better Hearing Institute
Washington

Benign bombs, lethal power plants

I couldn't believe my eyes when I read "A plan to verify nuclear-arms reduction" (Ideas & trends, May 10), Simon Ramo's plan to verify nuclear arms reduction by converting bomb material into fuel for nuclear power plants.

It is the radioactivity from nuclear energy, whether the atoms are split in bombs or in power reactors, that will ultimately extinguish life on planet earth. The normal nuclear power plant producing about 750 Mw contains approximately 1,000 times the radioactivity released by the bomb dropped on Hiroshima and, unfortunately, very much larger quantities of the very long-lived radionuclides than are released by the bomb. The bomb is relatively benign until it is detonated. The power plant is lethal from the day it goes critical.

John R. Newell

Boca Raton, Fla.

■ *Newell was formerly president of Bath Iron Works, a member of the Atomic Industrial Forum, a director of the Federal Reserve Bank of Boston, and a president of the Society of Naval Architects & Marine Engineers.*

Advice on contact lenses

Your "Soft contact lenses: A hard sell but some clear advantages" (Personal business, May 17) was, as usual, excellent. However, several manufacturers do indeed fabricate astigmatic soft lenses: Ciba, Hydron, Hydrocurve, Bausch & Lomb, Frontier, and Esley-Jessen.

You correctly advise that stores that advertise lenses for less than $100 may be cutting corners and that they add extra fees before you are completed. As vice-president of the State Board of Optometrists, a unit of the Consumer Affairs Dept., I find that most complaints we receive are from those who have been fitted in that environment.

Leonard Strulowitz, O. D.

Chairman
Contact Lens Committee
New Jersey Optometric Assn.
Trenton

Neiman Marcus' outlets

Your article on "The glamour dims at Carter Hawley Hale" (Marketing, May 31) refers to "Neiman Marcus' two Texas stores." Neiman Marcus operates five stores in Texas—three in Dallas and one each in Fort Worth and Houston.

A. J. Rosmarin

Dallas

What's needed for a short sale

In your otherwise excellent article on "How to trade the new stock-index futures" (Personal business supplement, June 7), you unfortunately perpetuate a common misconception about short selling. You state: "Under the cumbersome trading rules for stock-shorting, a short sale can't be executed by your broker unless the last transaction on the exchange trading floor recorded a price increase in the stock . . . ."

It is irrelevant if an uptick or downtick was "recorded" in the last transaction. The short sale itself must constitute either an uptick or zero uptick. In other words, to sell stock short, your sale must occur at a price greater than the last differently priced transaction.

Daniel Turov

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