OPEC leaders seek accord on curbing production

BRUSSELS, Belgium (AP) — Five OPEC ministers plan to gather tomorrow to examine ways of stemming a surge in oil production, blamed for the persistent weakness in international crude prices.

But analysts doubt the ministers will take dramatic actions to boost prices, which have been running well below the target of $18 a barrel set by the 13-member Organization of Petroleum Exporting Countries.

"I really don't see there's anything they can do," said London oil consultant Paul McDonald.

Lucy Mullins, analyst at Barclays de Zoete Wedd in London, said, "It's difficult to see what they can actually achieve at this meeting. I expect we'll have a lot of talk and not much positive action."

Ministers making up the price evolution committee are from Algeria, Indonesia, Nigeria, Saudi Arabia and Venezuela.

The cartel has confirmed the panel will meet tomorrow and Monday but has refused to divulge the location. Analysts have pinpointed the site as Madrid.

The talks will be set against a backdrop of a slumping crude market, attributed mostly to a spurt in production by OPEC members ignoring output quotas set by the cartel.

"The question now is to restore the balance between supply and demand to attain the (OPEC) official price of $18 per barrel," Nigerian Oil Minister Rilwanu Lukman told reporters in Indonesia.

Prices in the international market slipped earlier this month to a nearly two-year low, falling more than $4 below the cartel's official target. Prices have strengthened in advance of the price panel's discussions.

Lukman, who is OPEC's president, was quoted earlier in the week in Singapore as saying the price committee would look at overproduction as well as cooperation between OPEC and non-OPEC members.

Pierre Terzian, editor of the Paris-based oil publication Petrostrategies, looked for the ministers to prepare the groundwork for a full meeting of the cartel scheduled Nov. 21 in Vienna.

He expected them to review the quotas of the OPEC countries, in particular the sticky question of production levels for Iran and Iraq, who agreed last month to a cease-fire in their nearly 8-year-old war.

The price panel can recommend an emergency meeting of all 13 oil ministers to discuss the persistent price slump, but analysts said it was unlikely so close to the Vienna talks.

"Present (oil market) conditions are serious, but whether they warrant an emergency meeting is for the committee to decide," Lukman said.

A key problem for OPEC is member violation of cartel quotas.

Iraq refused to go along with its quota of 1.54 million barrels a day during the war with Iran and demanded a share equal to the Iranian level of 2.37 million barrels a day.

But analysts say Iraq has been pumping well above that, averaging about 2.7 million barrels a day. Iran's output, they say, is running about 1.9 million barrels a day.

Efforts to get the two countries to agree on set levels will likely be hindered by their desire to raise money for reconstruction projects through oil sales.

The United Arab Emirates also has been ignoring its quota of 948,000 barrels a day. Oil Minister Mana Saeed Otaiba was quoted this week as saying the UAE's "fixed and firm" quota was 1.5 million barrels a day.

Lukman said in Singapore that OPEC production is running about 19 million to 19.5 million barrels a day.

In June, the cartel extended an accord to limit output to 15.06 million barrels a day until the end of the year. That ceiling excluded Iran, however.

'Big ticket' orders jump in August

WASHINGTON (AP) — Orders for "big ticket" durable goods jumped 6 percent in August, the government reported yesterday, suggesting to analysts that recent signs of sluggishness in the economy are probably temporary.

The Commerce Department said orders jumped to a seasonally adjusted annual rate of $123.1 billion last month following a huge 7.4 percent decline in July and an 8.7 percent increase in June.

The volatility in the month-to-month total reflects wide swings in demand for transportation and military goods, but economists said the underlying trend portrays a vigorous U.S. manufacturing sector.

"The 6 percent overstates how strong the economy is, but it's still in pretty good shape," said Maury Harris, chief economist of Paine-Webber Inc. "Even if you exclude transportation, orders were still up 1 percent and that's pretty good, an annual rate of 12 percent for just the one month."

Other government reports for August have pointed to some softening in the economy's robust rate of growth through midyear. Unemployment rose from 5.4 percent to 5.6 percent, retail sales fell 0.2 percent and housing activity dipped 3.3 percent.

However, the strong demand for durable goods, coupled with a 1.2 percent rise in unfilled orders, indicates factories will be humming in the months ahead, analysts said.

"This throws some cold water on the view that the economy slowed down dramatically in August," said John Hagens, an economist with The Wefa Group, a Bala Cynwyd, Pa., forecasting firm.

"There are signs of weakness on the consumer demand side of the economy, but this is really the first sign that counterbalances some of that by suggesting that business spending and exports remain strong," he said.

Manufacturing has been the strongest area of the economy this year because a weaker dollar has spurred a boom in sales of U.S. goods overseas. That, in turn, has sparked businesses to increase spending to modernize and expand the capacity of factories.

Orders in the key category of non-defense capital goods, a good barometer of business expansion plans, were up 5.4 percent in August to $38.2 billion, following gains of 2.2 percent in July and 12.5 percent in June.

However, the very strength of the economy has raised concern that inflationary pressures are building. Thus, bond traders, who fear that inflation will erode the value of their investment, bid interest rates down on the weak employment and retail sales reports and sent interest rates up in early trading yesterday following the durable goods report.

The Commerce Department offered these details of durable goods manufacturing last month:

- Orders for transportation equipment were up by 20.9 percent to $35.4 billion, following a 22.4 percent plunge in July. More than half the increase was for motor vehicles and parts. Auto orders had been weak in July as factories were switching over to a new model year.
- Demand for defense goods jumped 15.3 percent to $8.1 billion, following a 49.4 percent drop in July.
- Excluding defense goods, orders rose 5.4 percent following a decline of 2.2 percent in July. Excluding transportation, orders rose 1.0 percent in August and fell 0.9 percent in July.
- Orders for primary metals such as steel fell 1.6 percent, following small declines in July and June.
- Orders for the machinery category, which includes computers, rose 4.2 percent after falling 2.9 percent a month earlier. Other kinds of electrical machinery were off 0.4 percent after a 3.2 percent gain.

Package shares take dip

By CAROLYN ROBBINS

Shares of Package Machinery Co. of Stafford Springs, Conn., dropped almost 30 percent in price since the company moved to block a possible hostile takeover last week.

Stock in the company had been trading as high as 15¾ a share as speculation mounted that St. Louis, Mo.-based Barry-Wehmiller might launch a takeover bid for the company.

The stock, which trades on the over-the-counter market, closed at 14 on Monday and edged down almost a point a day to close at 10¾ yesterday.

Barry-Wehmiller, a maker of packaging equipment for the beverage industry, attempted to offer $17.50 a share to purchase 28.7 percent of the company's stock from Dow Chemical Co. But Package Machinery countered by matching Barry-Wehmiller's bid by buying back 266,500 shares of its own stock and sold them to a Japanese company with which it has a longstanding business relationship.

The estimated $4.6 million transaction resulting in the sale of the stock to Tokyo Automatic Machinery appeared to head off Barry-Wehmiller's plan to buy the same block of stock.

Package's board exercised its right to match Barry-Wehmiller's bid for the Dow shares.

Tony Ayre, a broker with A.G. Edwards in Springfield, said the stock skyrocketed in price as speculation mounted that Barry-Wehmiller might come in and make a bid for the whole company after acquiring the Dow shares.

Since the Tokyo firm has a comfortable business relationship with Package, no one thinks the Japanese firm will launch a similar effort, he said.

Tokyo Automatic Machinery, a manufacturer of packaging equipment and a joint venture partner with Package since 1958, will receive certain anti-dilution rights that will allow it to maintain its percentage stake in Package for at least three years.

Staff photo by Dave Roback

MAKING A POINT — Robert Nash of the Massachusetts Association of Realtors addresses a gathering at a conference on housing affordability yesterday at St. Anthony's Social Hall in Springfield.

Soaring WMass housing costs worry business, government

By MARY ELLEN O'SHEA

Escalating housing costs in Western Massachusetts have outstripped income increases and are beginning to erode economic growth, a panel of housing and business experts agreed yesterday.

At a housing affordability conference at St. Anthony's Social Hall, speakers called upon the public and private sectors to galvanize efforts to create new housing for those in all income levels.

Co-sponsored by the Greater Springfield Chamber of Commerce and the Greater Springfield Board of Realtors, the session came at a time when the average single-family home in the region costs $141,246 and the average monthly rent for a two-bedroom apartment is about $550 per month, without utilities.

More than 200 people attended the two-hour event.

Peter Gagliardi, director of regional operations for the Massachusetts Housing Partnership Program, said initiatives must come from local communities or problems will fester and grow.

"In order to keep our economy healthy and in order to make this an attractive place to live, it is absolutely essential that we come to grips with our housing problems," Gagliardi said.

"We come to realize that we are facing a whole new problem. There is a whole new group of people, many of them earning $25,000 a year, without the wherewithal to provide homes for their families," he added.

The partnership is a state program created in 1985 by Gov. Michael S. Dukakis to help communities plan new housing and to help first-time homebuyers with low-interest loans. To date, 163 of 351 Massachusetts communities have either joined or are in the process of joining.

Gagliardi said all cities and towns must join the program, to help chart housing goals suitable to community needs and to promote new housing that fits those goals.

John Dill, president of the Colebrook Group, the real estate arm of Springfield Institution for Savings, offered statistics which indicate housing costs are outpacing income in the region.

Since 1980, the median cost of a single-family house has jumped 210 percent and monthly rents have gone up 161 percent. On the other hand, mean family income, adjusted for inflation, has gone up only 75 percent, and for those in government jobs, only 49 percent, he said.

"This really is the crux of the problem," Dill said. "This creates the gap that is stressing the market right now."

Dill also noted that while the population of Western Massachusetts has gone up only 1 percent in eight years, the number of households has jumped 14 percent, mostly due to social trends such as divorce and home purchase by single adults.

Diane Dubreuil, director of employment services at Baystate Medical Center, said housing costs have impeded her ability to attract much-needed professionals, particularly from the Midwest.

In one case this year, a woman was recruited from Ohio, only to quit and move back when she found she had to spend $250,000 here for a house similar to the one she sold in Ohio for $90,000.

"We were offering her a $15,000 salary increase over what she made there," Dubreuil said. "It just wasn't enough. Clearly, new employees may not be able to keep up with their standard of living, especially if they're moving from the Midwest."

Stephen Roberts, president of F.L. Roberts Co., gave an overview of the Community 2000 housing report, which came out of a committee he chaired. He called for local and regional efforts to create new housing, particularly in suburbs hostile to subsidized projects.

Roberts said new housing projects are difficult to get going because of a "timidity of local officials" and "thinly-veiled racism" in some neighborhoods.

Former DJ buys WSPR

By KRIS HACHADOURIAN

WEST SPRINGFIELD — Radio station WSPR has been sold for $1.25 million to a group headed by one of its former disc jockeys, station management said yesterday.

Alvin Herskovitz, co-owner with Michael Harrison of H & H Broadcasting Co., said the company signed an agreement with DYCOM, Inc. of Feeding Hills in early August to sell the assets of the 52-year-old AM station.

"The station was not on the market. They pursued us and made us an offer that was difficult to turn down," Herskovitz said.

The sale price was almost double the $650,000 Herskovitz and Harrison paid for WSPR in April of 1986.

DYCOM was incorporated in June of this year by former WSPR disc jockey Dan Yorke and a group of investors.

Yorke said the Federal Communications Commission is expected to approve the sale within the next couple of weeks, with the closing scheduled for later this fall.

For the last three years Yorke managed five radio stations in New England, New York and Pennsylvania for Vanguard Communications of Long Island.

"But I have a real affection for the Springfield area, and always kept my eye on it as a marketplace. There's been tremendous growth — a small-town comfort zone with big-city appeal," Yorke said. "We purchased WSPR for its up-trending ratings numbers, up-trending financial base and its essence of good talk format."

Yorke said that WSPR has a tremendous "heritage factor;" that despite losing marketshare and a consistent audience in the late 70s and early 80s, the station is still recognized.

"That's a real plus. The signal, the dial position, the heritage, it's all great," Yorke said.

"I want to say that H & H did a fantastic job when they came in of analyzing what needed to be done. They turned the station to talk, and I believe that was the right direction for the station."

Yorke said that while still analyzing the station's format, he plans on bringing in more on-air personalities, pursuing more local involvement and achieving a greater marketing presence.

"We want to be very aggressive in the marketplace. We want the Springfield area and Northern Connecticut to recognize the station for what it once was and will be — a market leader. I have a great deal of respect for those in the market now, but we expect to win."

Herskovitz said H & H will remain in the Greater Springfield area, and is currently negotiating other options within the communications field. However, under a non-competition clause in the sale agreement, H & H will not reenter a competing radio station.

Herskovitz said a unique market niche made WSPR successful and attractive to DYCOM.

"AM radio suffered over the years from FM. (When we took over the station) our approach was more aggressive. Talk radio was unique.

"So much radio fell into a 'background mode.' It's on, but you rarely pay attention. We could never be taken for granted. With us, you either listened and paid attention or turned it off."