

▲ **DOW** 10,462.77 +47.53 +0.46% | ▲ **NASDAQ** 2,242.48 +6.28 +0.28% | ▲ **S&P** 1,109.55 +5.37 +0.49%

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## BUSINESS DIGEST

### FRAUD INVESTIGATIONS

#### Temple-Inland, others accused of price fixing on packaging

Austin-based Temple-Inland Inc. and eight other containerboard makers conspired to fix the price of materials used to make cardboard boxes, according to a lawsuit filed Friday in federal court in Chicago.

The companies created a product shortage leading to higher prices, according to the complaint filed by Kleen Products LLC. The privately held floor-care company asked for class-action status for the case to include containerboard buyers from the companies over the past five years.

The suit also named International Paper Co., Packaging Corp. of America, Norampac Industries Inc., Cascades Inc., Domtar Corp., Weyerhaeuser Co., Georgia Pacific LLC and Smurfit-Stone Container Corp. Those companies account for 83 percent of the containerboard market, according to Kleen.

Price increases during the past five years have outpaced cost increases by more than 50 percent, and the companies were “nearly simultaneous” in raising prices, according to the complaint.

International Paper said the allegations were “baseless.” Temple-Inland and the other companies either declined to comment or did not immediately reply to requests for comment.

#### SEC joins multinational inquiry into alleged bribes paid by H-P

U.S. investigators have widened their probe of alleged kickbacks paid to Russian authorities by employees of a Hewlett-Packard Co. subsidiary in Germany.

Authorities in Russia, Germany and the U.S. have been looking into alleged bribes totaling \$11 million paid to secure a \$44.5 million contract that ran from 2001 until 2006.

Now, the U.S. Securities and Exchange Commission is also investigating governmental and “quasi-governmental” transactions in Russia dating to 2000, according to a quarterly financial statement the computer maker filed Thursday. H-P says it is cooperating with the investigation, which has not produced any allegations aimed at the company itself.

## TECHNOLOGY

#### Finnish phone giant Nokia taps Microsoft exec as new CEO

Nokia Corp. is replacing CEO Olli-Pekka Kallasvuo with Microsoft Corp. executive Stephen Elop as the world's top maker of mobile phones aims to regain lost ground in the fiercely competitive smart-phone market.

The choice of a North American executive to lead a Finnish company reflects the increasing dominance of U.S. and Canadian companies in the evolution of the phone business.

Analysts welcomed the choice of the 46-year-old Canadian, who has worked closely with Nokia at Microsoft and at Macromedia Inc. developing software for Nokia phones. At Microsoft, he headed the business division, which makes Office software.

## FINANCIAL OVERSIGHT

#### Regulators seize Florida bank, bringing year's closures to 119

Regulators shut down a small Florida bank, raising to 119 the number of U.S. bank failures this year amid mounting loan defaults.

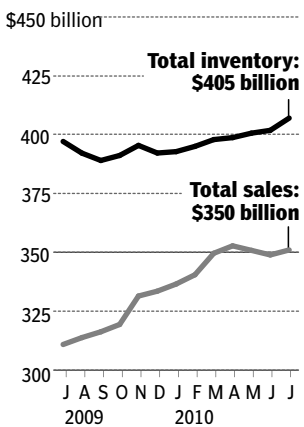
The Federal Deposit Insurance Corp. took over Horizon Bank, based in Bradenton, Fla., with \$187.8 million in assets and \$164.6 million in deposits. Bank of the Ozarks, based in Little Rock, Ark., agreed to assume the assets and deposits of the failed bank. The failure of Horizon Bank is expected to cost the deposit insurance fund \$58.9 million. It was the 23rd bank in Florida to fail this year.

With 119 closures nationwide this year, the pace of bank failures exceeds that of 2009. By this time last year, regulators had closed 92 banks. The pace has accelerated as banks' losses mount on loans made for commercial property and development.

Compiled from wire reports

## Wholesale inventories

Total estimates of monthly sales and inventories held by wholesalers:



Note: All figures are seasonally adjusted

Source: Department of Commerce  
ASSOCIATED PRESS

## U.S. ECONOMY

# Wholesale data further quiet anxieties

#### Inventories replenished more than expected in July; sales also pick up

By Martin Crutsinger  
ASSOCIATED PRESS

WASHINGTON — Inventories held by wholesalers surged in July by the largest amount in two years, while sales rebounded after two straight declines.

The Commerce Department said Friday that wholesale inventories rose 1.3 percent in July from June, the best performance since July 2008 and triple the increase expected by economists. Sales at the wholesale

level increased 0.6 percent, double what had been expected and the best showing since April.

Businesses restocking depleted store shelves has been a major driver of the economy since late last year and the strong gain seen in July should help alleviate fears that the country could be in danger of slipping into another recession.

The overall economy, as measured by the gross domestic product, slowed to an annual growth rate of just 1.6 percent in the April-to-June quarter, down from GDP growth of 3.7 percent in the first quarter. That slowdown has raised concerns about the durability of the recovery from the nation's worst recession since the Great Depression.

Reports this week have eased those fears somewhat. In addition to the new report on inventories, the government said Thursday that new applications for jobless benefits fell last week to the lowest level in two months. Also on Thursday, the government said the U.S. trade deficit narrowed in July as exports rose to the highest level in nearly two years, an indication that American manufacturers are still benefiting from rising global demand.

U.S. businesses have helped spur the recovery by rebuilding their inventories after slashing them during the recession to cut costs.

When businesses began building

See **REPORTS**, B9

## HOSPITALITY

# High-tech travelers left to their own devices hurt hotel revenue

Cell phones, laptops have slowed income from in-room calls, movies to a trickle

By Hugo Martin

LOS ANGELES TIMES

LOS ANGELES — The nation's hotel industry, already struggling to pull out of its worst slump in decades, is now suffering another loss in revenue because of the booming popularity of cell phones and laptop computers.

In the past, hotel operators could expect to collect extra money by charging guests for in-room phone calls and on-demand movies.

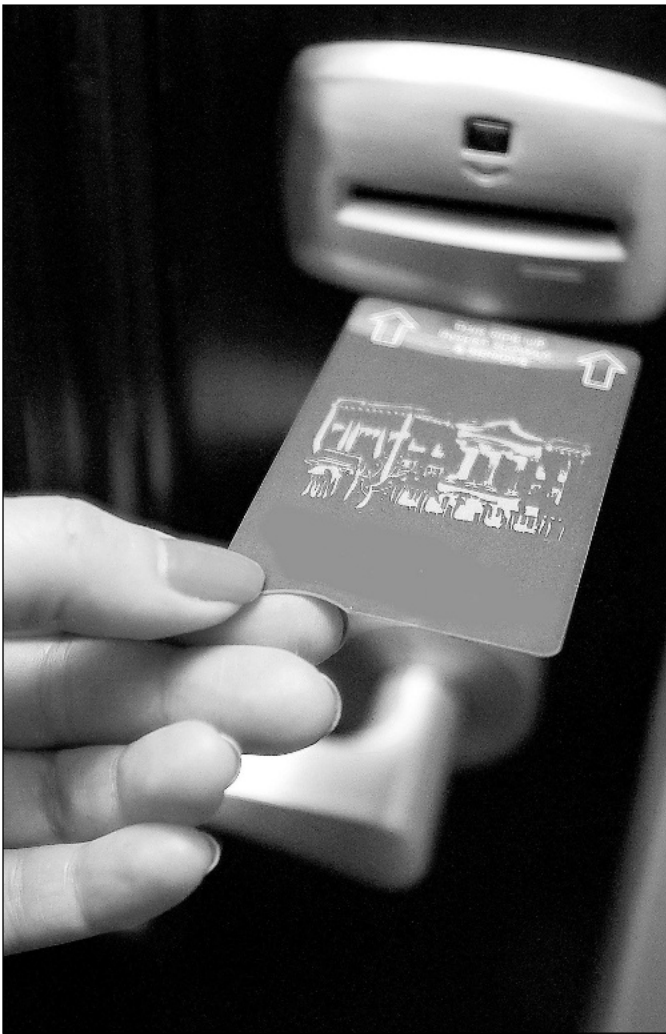
But today, many guests check into a hotel packing cell phones and laptop computers that are linked to the Internet and loaded with movies, games and music.

Proceeds from phone calls and movies have represented only a small share of hotels' overall income, but the sharp decline in revenue from those sources comes as the recession-racked hospitality industry tries to rebound from the lowest occupancy and room rates in decades.

The trend has hotel managers scrambling to make up for the loss by offering other entertainment, such as Saturday night movies by the pool, Sunday morning brunches, live music and spa treatments.

“In this economy, any loss of revenue and you are going to pull your hair out,” said Bruce Gorelick, general manager of the Renaissance Hollywood (Calif.) Hotel & Spa.

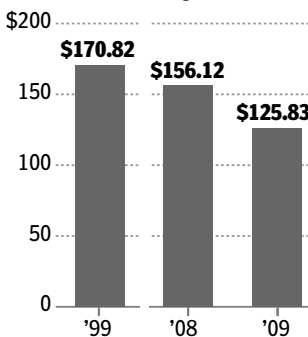
Hotel managers such as Gorelick have been frustrated by the loss of revenue since the start of the recession, when demand for hotels plum-



Simon Dawson BLOOMBERG NEWS

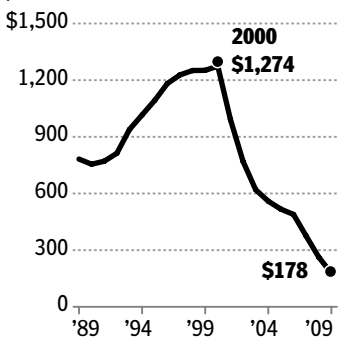
## Declining room revenue

U.S. hotels' average annual revenue per available room from movies and games:



Source: Colliers PKF Hospitality Research

Hotels' average annual telephone service revenue per available room:



MCT

See **DEVICES**, next page

## AIR TRAVEL ■ REGULATION

# Pilots get more time off under new rules

FAA directive to elevate safety, reduce fatigue is projected to cost \$804 million over 10 years

By John Hughes

BLOOMBERG NEWS

Airline pilots would get nine hours of rest between shifts, a 13 percent increase from current schedules, under the first proposed U.S. overhaul of fatigue rules in 15 years, Transportation Secretary Ray LaHood said Friday.

Prompted by an airline crash that left no survivors last year near Buffalo, N.Y., the changes also would require pilots to get at least 30 consecutive work-free hours weekly, a 25 percent increase from existing rules, LaHood said.

“This will help protect more than 700 million passengers and pilots who travel our nation's airways each year,” he said.

The rule, which would cost \$804 million over 10 years, could be changed before a congressional deadline of August 2011 to become final.

The Federal Aviation Administration, which LaHood oversees, is seeking to link decades-old fatigue rules with research showing numbers of takeoffs and landings and time-zone changes, not just hours worked, affect fatigue.

The proposal limits workdays to as few as nine hours when a pilot flies seven or more segments. Those who start between midnight



**Randy Babbitt**  
FAA chief says airlines may need to hire more crews, improve scheduling efficiency to meet rest requirements.

See **REST**, B9

## PERSONAL FINANCE ■ INVESTMENTS

# Certificates of deposit losing savers' interest as rates drop

By Pallavi Gogoi

ASSOCIATED PRESS

NEW YORK — Americans want to be close to their cash.

People are bailing out of bank certificates of deposit and parking their cash in checking and savings accounts that earn little or no interest but also don't exact penalties for early withdrawal.

It's another signal of how nervous Americans are about their finances as the U.S. economy struggles. Consumers are stuck with few options to make their money work. The Standard & Poor's 500 stock index is down 0.5 percent for the year, one big reason why people pulled \$145.3 billion out of mutual funds in the first eight months of the year, according to Lipper Inc.

“At times of uncertainty, there is a natural human tendency to stay liquid and have money easily accessible,” said Dan Geller,

executive vice president at Market Rates Insight, a financial data analysis firm.

The firm's analysis of domestic banks insured by the Federal Deposit Insurance Corp. found that CD deposits declined by \$200 billion during the first six months of the year. Deposits in checking, savings and money market accounts rose by \$171 billion.

A CD typically carries an interest rate for a fixed term ranging from three months to five years. Depositors typically pay a penalty if they withdraw their money before the end of the CD's term.

A big part of the blame for the shift in money: The interest rates people can earn are at historic lows. The national average rate for deposits decreased from 1.20 percent to 0.99 percent in the first half of 2010. It was the first time the measure had fallen below 1 per-

See **INTEREST**, next page

## TECHNOLOGY ■ SMART PHONES

# Google's Android projected to be No. 2 mobile OS by '11

By Mike Swift

SAN JOSE MERCURY NEWS

By the end of this year, Google Inc.'s Android smart phone operating system will have leapfrogged competing mobile systems such as Apple Inc.'s iOS, Research in Motion Ltd.'s BlackBerry OS and Microsoft Corp.'s Windows Mobile in global popularity, technology industry research firm Gartner Inc. said Friday.

In addition, by 2014, Android will be challenging Nokia Corp.'s Symbian OS to become the world's most popular smart phone operating system, the firm said.

The explosive growth of Android will make it the world's second-most-popular system by the end of 2010, Gartner said in its annual global smart-phone forecast. Android will account for 17.7 percent of worldwide sales, up from 3.9 percent at the end of 2009, the firm said.

Google says more than 200,000 Android-driven phones are activated daily.

With phone manufacturers such as Samsung Electronics Co. Ltd., Sony Ericsson, LG Corp. and Motorola Inc. planning to offer budget Android phones this fall, the Google system will have double the iPhone's worldwide market share by 2014, Gartner said.

“It's a matter of Android really going more into the hands of the mainstream user,” said Roberta Cozza, principal research analyst at Gartner. “The iPhone will remain focused toward the higher end of the market.”

By the end of 2014, Gartner says, Android and Nokia's Symbian operating system will each account for about 30 percent of global smart-phone sales, with Apple's iOS third with about 15 percent, and Research in Motion's BlackBerry operating system in fourth.

## COMING SUNDAY



Chris Diaz SHUTTERBUG STUDIOS

## Residence of distinction

What do a City Council member, a socialite, a Supreme Court justice and a steel company owner have in common? One house in Old Enfield, that's what.

In **StatesmanHomes**