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TECH THURSDAY

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Leslie Walker

News Groups Wrestle With Online Fees

CARLSBAD, Calif.

To charge or not to charge, that is the question still bedeviling the news industry nearly a decade after it decided to give away news on the Web for free.

The debate got fresh fodder last week when the New York Times announced that come September, it will charge $50 a year for Web access to its op-ed columnists and news archives. A week earlier, the Los Angeles Times moved in the reverse direction, removing the $60 annual fee it had been charging for its online entertainment guide to Los Angeles.

The free-vs.-pay debate is assuming heightened urgency — and generating a fair amount of flip-flopping these days — because Internet readership and advertising are booming at a time when newspaper circulation is declining at accelerated rates. Newspapers are struggling to figure out how to make money from their growing Internet audience without cannibalizing their print editions.

The Los Angeles Times declined to say how many Web subscriptions it had sold, but apparently it wasn't enough to offset the advertising it sacrificed when it started charging for CalendarLive, a Web entertainment guide, in August 2003. By making the information free again, the paper said it expects to attract many more Web readers. "A subscription offering on the Web is a barrier to the fastest and widest growth in our markets," declared Robertson Barrett, general manager of the Los Angeles Times Interactive.

Both papers offered print subscribers free access to their premium Web content, suggesting that their Web fees were defensive moves to prevent paper subscribers from defecting to free Internet sites. The New York Times, however, said

See .COM, *E4, Col. 3*

THE DOWNLOAD

Ellen McCarthy

Techies Ramp Up For Internet's Next Incarnation

The 500 technologists hunkered down in the Reston Hyatt this week are plotting the best way to push us onto the new Internet.

They assume everyone's heard that there's a new Internet coming. Didn't know we needed an upgrade? Yes, the one we're working on now is a bit antiquated, they say nonchalantly, and it's about time we moved to a sleeker model.

"What we've found over the last 10 years is that we need to do a number of things to improve [the Internet]," said **Rod Murchison**, senior director of product management for **Juniper Networks** of Sunnyvale, Calif. The current Internet simply wasn't designed to handle the volume of users and devices that are tapping into it, he adds.

But out there in the ether, waiting to be accepted and adopted, Murchison says, is an Internet that can handle all the needs of the growing digital society. Those in the know call it "**IPV6**," short for Internet Protocol Version 6. (For the curious, we're currently using Version 4 — Version 5 never really got off the ground.)

The essential advantage of Version 6 is that it can expand to give Internet addresses not only to every cell phone, iPod and BlackBerry that will eventually come online, but also to Web-enabled sensors that will someday be scattered around our homes, cars and communities, allowing users to control more of their world through the Internet.

The current version has about 4.3 billion available addresses; the new one has so many it is expressed in exponents (3.4 x 10 to the power of 38).

The average consumer may never know the switch is occurring, because the two versions interact seamlessly with each other. Most modern computers are

See DOWNLOAD, *E4, Col. 1*

Regulators May Sue FBR Figures

Friedman, 2 Others Get Wells Notices

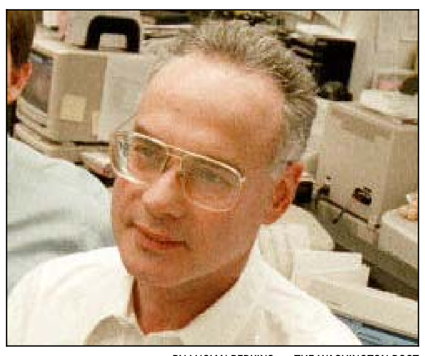
By Terence O'Hara
Washington Post Staff Writer

Securities regulators have told Emanuel J. Friedman and two other former executives of Friedman, Billings, Ramsey Group Inc. that the agencies are considering civil litigation against them for FBR's alleged improper trading in a client company's stock.

According to documents FBR filed yesterday, the Securities and Exchange Commission and NASD gave Wells notices to Friedman, former compliance chief Nicholas J. Nichols and former equity trading head Scott E. Dreyer.

A Wells notice reveals the results of an investigation and provides the target of the investigation an opportunity to argue why a civil suit should not be filed. Such a notice is an indication that the enforcement staff of the SEC or NASD has decid-

See FBR, *E4, Col. 1*



BY LUCIAN PERKINS — THE WASHINGTON POST

Emanuel J. Friedman last month quit the firm he co-founded. Now he and two other former executives may face lawsuits.

House Panel Approves New Fannie Regulator

Bill Proposes Changes at Housing Finance Firms

By Annys Shin
Washington Post Staff Writer

The House Financial Services Committee yesterday overwhelmingly approved legislation to create a new, more powerful regulator for financial services giants Fannie Mae and Freddie Mac.

If the measure becomes law, it would be the most significant change to the companies' governance in 13 years. However, the legislation faces several hurdles. The Bush administration in particular wants stricter regulation of the two companies than the House Committee proposal provides, and it may try to push for changes as the bill progresses through Congress.

Nonetheless, the vote yesterday is further evidence of the recent reversal of the political fortunes of Fannie and Freddie. The two entities promote home ownership by buying mortgages from lenders to keep them supplied with money for home loans.

Before accounting scandals forced the companies to oust top executives and restate billions in previously reported earnings, Fannie and Freddie used their considerable lobbying clout to thwart tighter regulation. Two years ago, the House Financial Services Committee considered a similar bill but never acted on it, in part because of lobbying by Fannie and Fred-

See HOUSING, *E12, Col. 1*

Latinos Debate Free Trade's Cost

BY RAFAEL FERNANDEZ — HOY

CAFTA opponents demonstrated at City College of New York when Dominican President Leonel Fernandez addressed business leaders.

CAFTA Alternately Seen as an Engine Of Progress, Poverty

By Michelle García
Washington Post Staff Writer

NEW YORK — In the Dominican enclave of Upper Manhattan, where street life thrives on mom-and-pop stores and the sound of bachata, trade debates are scrutinized through the lens of daily survival in the city and on the island.

"You have to be in the global marketplace," said Jorge Defrank, a bodega clerk in Washington Heights, referring to the Dominican Republic's economy. "It could help increase exports."

"That's not what you said last time!" admonished Luis Lora from across the counter. "They won't be able to compete. They aren't in the condition to get into the global marketplace."

Lora worries about his real estate investments on the island. "The small businesses will disappear," he said. "I have to think about the consequences over there."

The battle over the proposed Central America Free Trade Agreement, which would sharply lower trade barriers between the United States and five Central American nations and the Dominican

See CAFTA, *E12, Col. 1*

Accountants Missed AIG Group's Red Flags

By Carrie Johnson
and Dean Starkman
Washington Post Staff Writers

For years, PricewaterhouseCoopers LLP gave a clean bill of financial health to American International Group Inc., only to watch the insurance giant disclose a long list of accounting problems this spring.

But in checking for trouble, PWC might have asked the audit committee of AIG's board of directors, which is supposed to supervise the outside accountant's work. For two years, the committee said that it couldn't vouch for AIG's accounting.

In 2001 and 2002, the five-member directors committee, which included such figures as former U.S. trade representative Carla A. Hills and, in 2002, former National Association of Securities Dealers chairman and chief executive Frank G. Zarb, reported in an annual corporate filing that the committee's oversight did "not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles."

Further, the committee said, it couldn't assure that the audit had been carried out according to normal standards or even that PWC was in fact "independent."

See PWC, *E6, Col. 1*

BY JAY CARRIER — BLOOMBERG NEWS

Gannett's USA Today is the flagship of the media company's 102 U.S. newspapers.

INSIDE

LUCASFILM LTD.-TWENTIETH CENTURY FOX VIA REUTERS

Federal agents shut down a Web site that they say used cutting-edge technology to illegally share copyrighted material. Users downloaded the latest "Star Wars" movie more than 10,000 times in 24 hours — before it arrived in theaters. Story, E4.

TV Division Chief Appointed to Head Gannett

By David A. Vise
Washington Post Staff Writer

Gannett Co. yesterday named a broadcasting industry veteran to run the media company, which owns more than 100 newspapers, including USA Today.

The McLean company said that Craig A. Dubow, head of Gannett's broadcasting division, will replace Douglas H. McCorkindale as president and chief executive on July 15. McCorkindale will continue as chairman until July 1, 2006.

In a written statement, McCorkindale said Dubow's experience with traditional broadcasting and the "digital world" made him the best choice for the job. Karen Hastie Williams, the presiding director on Gannett's board, described Dubow in a prepared statement as "the ideal person to lead Gannett into new opportunities, while continuing to grow our core newspaper and broadcasting operations."

Tara J. Connell, vice president of corpo-

See GANNETT, *E12, Col. 5*

DOW 10,457.80 DOWN 45.88, 0.4%	**NASDAQ 2050.12** DOWN 11.50, 0.6%	**STANDARD & POOR'S 500** 1190.01, DOWN 4.06, 0.3%	**WASH. POST-BLOOMBERG** REGIONAL 256.82, DOWN 2.37, 0.9%	**10-YEAR TREASURY NOTE** DOWN $5.00 PER $1,000, 4.09% YIELD	**CURRENCIES** 107.69 YEN=$1, EURO=$1.2606

Trade Pact Is Subject Of Vigorous Debate

CAFTA, *From E1*

Republic, is the talk of Latinos in New York, where Hispanics are estimated to make up 28 percent of the population.

It's debated by sidewalk pundits and on Spanish-language radio shows. It dominates Spanish-language newspaper headlines and has energized evangelical networks in New York and cities from Boston to Washington and Houston to Los Angeles — anywhere with large populations of Latinos connected by air bridges to Central America and the Dominican Republic.

For some Latinos with financial and familial connections in CAFTA countries, the trade agreement inspires optimism that open markets will create business opportunities and jobs, and reduce the need for immigration to the north.

But opponents see a far grimmer future. They fear that if promised well-paying jobs fail to materialize, more of their salaries will go to subsidize families abroad through money transfers known as remittances. They warn that the agreement will wreck micro-businesses in Latin America and lead to a profusion of yet more low-wage jobs, which would in turn fuel more migration northward.

There is no debating the pivotal role that U.S. Latinos play in the economies of CAFTA countries. The small fortunes in weekly remittances sent to families in those countries total roughly $10 billion annually, outstripping U.S. direct foreign investment and foreign aid, according to the Inter-American Development Bank, and making Latinos the greatest financial stakeholders in those countries.

Just last week, U.S. Commerce Secretary Carlos M. Gutierrez came to Washington Heights to lobby for the agreement. The week before, Dominican President Leonel Fernandez addressed largely the same Latino business leaders. But CAFTA opponents, including the city's largest union, Service Employees International Union Local 1199, greeted Fernandez with protests.

Gutierrez's visit, however, fell under the radar, and he ate lunch peacefully to the beat of merengue before warning business leaders that a CAFTA defeat would condemn partner nations to the turbulent and war-ridden era of the 1980s.

"We have to think of CAFTA in a comparison to the status quo," Gutierrez said in an interview afterward. "You have a lot of Hispanic American small businesses that understand the consumer, and they are able to make contacts in Central America."

Spanish-language newspapers in the city read like a sparring game. *"Sí al libre comercio"* (Yes to free trade) read a front-page banner. *"Unidos Contra CAFTA,"* (United Against CAFTA) slammed back another headline warning of manufacturing-job losses.

"To close the door to free trade is to invite the devil to dinner," wrote columnist Carlos Alberto Montaner in the newspaper Hoy.

"We will send more money there and lose jobs here," argues Luis Radhames Rodriguez, the host of television and radio public affairs shows. "CAFTA is a snake with many heads."

The Latino evangelical leadership recently adopted the free-trade mantra after trade supporters in Washington convinced them of its potential for economic liberation. The Rev. Miguel Rivera, New Jersey-based president of the National Coalition of Latino Clergy and Christian Leaders, preaches about the wonders of free trade on Spanish-language evangelical radio stations and dispatches e-mails to pastors across the country. Yesterday he carried the CAFTA message to 3,000 evangelical pastors at a religious summit in the Dominican Republic.

"It will create jobs, and most of our Latino members are factory workers in low- to middle-income jobs," Rivera said before traveling to the island. He said that if industries in Central America need raw materials, U.S. groups will provide them.

But Alan Tonelson, a fellow at the U.S. Business and Industry Council Educational Foundation, which represents small companies, said the Caribbean Basin Initiative, the precursor to CAFTA, failed to curtail the loss of U.S. textile jobs to Asia.

"The most prominent victims will be the U.S. workforce in the apparel industry, and that workforce is heavily Hispanic," Tonelson said, adding that Latinos make up 23.7 percent of the U.S textile and apparel workforce.

Luis Samayoa, a custodian on Long Island, predicts that under CAFTA people are going to want to leave or "you're going to tighten the money bag and send more." He says the remittance noose tightened after the Salvadoran government dollarized the currency and sent inflation soaring five years ago.

"I can't go buy a house because I have to send monthly payments," said Samayoa, who sends $300 a month to his family. "It limits me from saving."

BY EVAN VUCCI — ASSOCIATED PRESS

The presidents of, from left, the Dominican Republic, Costa Rica, Guatemala, El Salvador and Honduras gathered in Washington to discuss CAFTA on May 11.

But Dominican-born Jose Fernandez, who climbed the American success ladder as a bodega owner, nurtures a free-trade dream. He and other bodega owners will soon launch the Mi Bodega food line, and Fernandez says a little boost from a new free-trade agreement can help them penetrate the Central American market.

"We are creating products that are typical to the customers," Fernandez, who is president of the Bodega Association of the United States, said from his office in Washington Heights. "Free trade would definitely give us an opportunity and freedom to invest money."

And for his part, Fernandez is leading the owners of 7,200 city bodegas in a spirited letter-writing and petition campaign in favor of the agreement, in part after hearing that CAFTA will eliminate the tariffs on imports of yucca and plantains stacked on store shelves.

In fact, the agreement would have very little effect on Fernandez's business because the United States levies few tariffs on imported foods from the Caribbean.

Across the river in the Bronx, Mirtha Colon and the other members of the Central American Black Organization sell plates of barbecue to raise money for the countries they left behind. Colon understands the economic trade winds that flow between the United States and her native Honduras, and the group drafted a proposal to help their Central American communities become competitive in a global market and lobbied Central American and U.S. officials.

But Colon says government leaders want the support of the immigrants who sustain the CAFTA countries with their wages but do not want their ideas.

"We are not against CAFTA because we are against development," Colon said. "What we want from CAFTA is to be included."

TV Veteran to Run Gannett

GANNETT, *From E1*

rate communications for Gannett, said neither McCorkindale nor Dubow was available for comment yesterday.

"I am eager to lead Gannett through this important time of transition in our new, digital world," Dubow said in a written statement. "The strength of Gannett's traditional businesses will provide the base for our future growth in new technologies and changing ways to deliver our news and information for our readers, viewers and advertisers."

Dubow, 50, has played a role in Gannett's efforts to tap into new technologies in recent years. He will take the helm of a media company that owns 102 daily newspapers in the United States, 17 daily newspapers in Britain and 21 U.S. television stations. It also controls dozens of Internet sites sponsored by its television stations and newspapers.

Dubow has worked at Gannett for the past 24 years in a variety of jobs and has considerable experience selling ads. He started his career with Gannett selling ads for a Denver television station before serving as general sales manager for an Austin television station.

After serving as general manager of Gannett's NBC television affiliate in Atlanta, Dubow was given additional corporate duties as executive vice president of Gannett Television in 1996. Four years later, he was named president and chief executive of Gannett's broadcasting division.

John Morton, a media industry analyst, said he was surprised that Gannett's board of directors had chosen Dubow over Gary L. Watson, head of the company's newspaper division. Morton said the company gets more revenue from its newspapers than from any other division.

"Most people thought Gary Watson would be the one," Morton said. "This signals a bit of a change in who is going to be at the top, but I suspect it is not going to have a big impact on how the company is run. It is a bottom-line-run company, and that won't change."

Before leaving Gannett to head the Associated Press in 2003, Thomas Curley had been considered among the possible successors to McCorkindale. Before he left, Curley was president and publisher of USA Today and senior vice president of administration at Gannett, where he worked for 31 years.

Gannett named Roger L. Ogden, 60, to succeed Dubow as head of its broadcasting operations beginning July 15. Ogden is senior vice president of the broadcasting division and also general manager of its Denver television station, KUSA.

Gannett has not done as well on Wall Street this year as newer, technology-driven media companies with a bigger Internet presence. Yesterday, Gannett stock closed at $75.31 a share, down 6 cents. The stock has traded as high as $88.81 in the past year.

Panel Backs Changes for Fannie

HOUSING, *From E1*

die. The Bush administration also had opposed the measure, saying it was too weak.

Now, however, passage of the legislation appears more likely, with many lawmakers and the administration intent on curbing the size and influence of a pair of companies that are critical to the functioning of U.S. housing markets.

While successful in their main business of buying and repackaging home mortgages, they have also delved into ever-more-complex investment strategies, kept hundreds of billions of dollars of loans on their books to boost shareholder profits, and grown so large that economists have begun worrying about the consequences if they should falter.

The bill approved yesterday on a 65 to 5 vote not only dealt with Fannie and Freddie's finances, but it sought to trim their standing as government-chartered companies: If approved, it would eliminate five presidential appointees on the companies' 18-member boards of directors, a step meant to limit the perception that the two companies would be rescued from any financial trouble by a federal bailout.

The legislation, proposed by Chairman Michael G. Oxley (R-Ohio), would establish an independent agency to replace the Office of Federal Housing Enterprise Oversight, a division of the Department of Housing and Urban Development that has been considered a generally weak overseer for the two companies.

Oxley's legislation would give the new regulator authority to approve new programs, place the companies in receivership if they run into financial trouble and force changes to the companies' investment portfolios if needed to insure financial soundness. The new oversight body, which would also oversee the network of 12 Federal Home Loan Banks, would be paid for by assessments on the companies.

The Bush administration, however, prefers not to leave so much to the discretion of the regulator and last week proposed restricting the kinds of assets Fannie and Freddie can hold in their portfolios. Over the past decade or so, those portfolios have grown tenfold to $1.5 trillion — a little more than one-fifth of all U.S. home mortgage loans.

Several lawmakers tried yesterday to bring Oxley's bill more in line with the administration's position, but those efforts failed. Treasury Secretary John W. Snow said the administration would work to "ensure the bill is strengthened" as it proceeds to the full House and the Senate, and Rep. Richard H. Baker (R-La.) said the new regulator could impose the very limits the administration prefers.

Senate Banking Committee Chairman Richard C. Shelby (R-Ala.) has said he supports giving the regulator discretion over the size of Fannie and Freddie's portfolios, but he is still considering the administration's arguments. One provision of Oxley's bill likely to find its way into the Senate version would require Fannie and Freddie to set aside 5 percent of their after-tax profits — potentially hundreds of millions of dollars — to fund grants to promote homeownership and the development of rental housing for low and very low-income Americans.

The affordable-housing proposal helped Oxley secure Democratic support and is likely to play a similar role in the Senate Banking Committee. Oxley's bill would also allow Fannie and Freddie to buy more expensive loans in areas where housing prices are high. It would fund a study to look at the possible impact on the housing market of privatizing Fannie and Freddie. And it would require the companies to disclose annually any charitable contributions made in the previous year.

Charles Greener, a Fannie Mae spokesman, said in a written statement that yesterday's vote was "a significant step forward" in strengthening oversight for the company. Sharon McHale, a Freddie Mac spokeswoman, called the legislation "a tough bill" that imposes regulations more stringent than other financial institutions face.