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Officials advise deposit insurance reduction

WASHINGTON (AP) — President Reagan's advisers on Tuesday recommended curtailing deposit insurance for bank and savings and loan accounts, triggering swift negative reaction from Congress and the Treasury Department.

In its final report to Reagan, the president's Council of Economic Advisers said reducing protection for depositors would encourage them to more closely monitor the financial health of the institutions holding their money.

But the Treasury Department, through Rep. Chalmers Wylie of Ohio, senior Republican on the House Banking Committee, promptly distanced itself from the latest proposal involving the troubled savings industry in which a post-Depression record of more

than 200 insolvent institutions were closed last year.

At a hearing of the House committee, Wylie said curtailing deposit insurance is not an option and will not be considered as part of the S&L plan being developed by Treasury Secretary Nicholas F. Brady, who is staying on in the Bush administration.

Wylie, who said he spoke after his office conferred with the Treasury Department, said Brady will present the plan to President-elect Bush by about Feb. 15.

Rep. Henry B. Gonzalez, D-Texas, chairman of the committee, did say a gradual reduction in deposit insurance may be considered as part of solving the S&L crisis. But he also said such a proposal is a serious matter, not a matter to be thrown out as a "trial balloon."

Other Democratic and Republican members of Congress reaffirmed a commitment to guaranteeing deposits up to the current \$100,000 per account limit.

"Congress will stand four-square behind the \$100,000 agreement," Rep. Charles Schumer, D-N.Y., said. "I'm appalled at the timing of the administration. I think the public needs some reassurance."

In its report, released by the White House, the Council of Economic Advisers also sharply criticized Reagan-appointed savings and loan regulators for "postponing the day of reckoning" in their rescues of failed institutions.

"Most regulatory actions taken so far... will sharply increase costs to the general public," the report said. S&L regulators' practice of guaranteeing new owners of rescued

S&Ls against losses for up to 10 years weakens the incentive to manage efficiently, it said.

The top regulator, M. Danny Wall, chairman of the Federal Home Loan Bank Board, defended his agency's year-end spate of savings and loan bailouts as cheaper than shutting down the failed institutions and paying off depositors.

Wall told the committee that his agency rescued 75 institutions in December at a cost of \$15.5 billion to be spread out over 10 years. Tax benefits arising from the deals will cost the government an additional \$4 billion.

Liquidating the S&Ls and shutting them down would have required \$47 billion in "up-front cash," far more than is available immediately to the Federal Savings and Loan Insurance Corp., Wall said. However, by selling

off the property of the failed S&Ls, regulators eventually would have recouped all but \$22.8 billion on the December transactions, he said.

Wall and fellow bank board members Roger Martin and Lawrence White cited two benefits of rescuing institutions now and spreading out the cost rather than waiting to accumulate the money for liquidations.

First, Wall said, the bank board stopped the operating losses at the rescued institutions. Second, it eased the need for the institutions to pay above-market interest rates to attract depositors. That in turn eases the pressure on still-healthy S&Ls to compete by raising their rates.

For all of 1988, including December, the bank board committed more than \$38 billion to resolve the cases of 205 institutions, Wall said.

Several members of the committee expressed outrage that in some

deals, buyers of failed institutions are to receive tax benefits worth more than the private money they are to put into rescued institutions.

"The dealmakers who are walking away with more cash than they're putting in from day one are laughing all the way to the piggybank," Rep. Jim Leach, R-Iowa, told Wall. "The acquirers have robbed you blind."

Reagan's council, noting estimates up to \$100 billion for solving the S&L problem, said "a large portion of the payment of this bill will need to come directly from the public." The report did not say tax money would have to be spent, but many private analysts believe that is inevitable.

In the final Reagan budget, released Monday, the administration called for spending \$64 billion on S&Ls through 1994.



Open for business

Texas A&M's new six-level parking garage opened Tuesday to accommodate faculty and staff. The \$9 million garage, located on the corner of Asbury St. and University Drive, holds 2,000 vehicles and is the first of three planned. Officials say the garage was completed on time and under budget.

Investigators blame crash on engine trouble, fire

LONDON (AP) — One engine of a Boeing 737 had fire damage and the other inexplicably shut down before the plane plunged into a high-way embankment, killing 44 people, investigators said Tuesday.

Asked whether the shutdown preceding Sunday's crash could have been due to human error, chief investigator Eddie Trimble said: "At this stage in the investigation all possibilities are open in that regard."

Transport Secretary Paul Channon told Parliament that investigators found "evidence consistent with a shutdown in flight of the right engine before impact, and evidence of a fire in the left engine."

The British Broadcasting Corp. said investigators believe they know what caused the disaster, but are not yet disclosing their conclusions.

Capt. John Tritton of the Guild of Airline Pilots Associations said the chances of the pilot accidentally shutting down the wrong engine were negligible.

"I find it unbelievable. When a fire occurs in an engine, the master caution light comes on, there is au-

dio warning and there is a light in the handle, the fire handle for that particular engine, indicating which engine it is," he told BBC-TV.

The British Midland Airways jet, flying from London to Belfast, crashed beside Britain's main north-south highway Sunday night after reporting engine trouble. It had undershot the runway while attempting an emergency landing at East Midlands Airport in central England.

Eighty-two passengers and the crew survived with injuries.

Trimble, the Transport Department's chief engineering inspector at the crash site, said the right-hand engine was found "in a zero-thrust or shut-down condition," and so far showed no sign of mechanical failure.

He told reporters it was shut down not in the moments before the crash but "at a previous point in the flight." But he added it would be premature to speculate about the reason before the engines were stripped down for laboratory scrutiny.

Ham radio operator Mervyn Sol-

loway, who picked up cockpit transmissions shortly before the crash, has said he heard the pilot report engine trouble, then say it was under control.

But later, he says, he heard a frantic voice say "We've got problems with the other engine."

Aviation experts say the chances for both engines to fail on the Boeing are almost impossible, and have theorized that the blame for the crash could lie with impure fuel, faulty maintenance, an explosion in the engine's combustion chamber or a mechanical fault.

Channon told Parliament: "We do not yet know the precise cause of the engine failure and, as in all such accidents, speculation can be not only unproductive but positively misleading."

He said pilot Kevin Hunt reported the fire 15 minutes into the hour-long flight. And clearance for an emergency landing was requested.

But witnesses reported that in its final approach to East Midlands Airport, the aircraft descended below the normal path, Channon said.

Lewis elected to 4th term as speaker of Texas House

AUSTIN (AP) — Speaker Gib Lewis on Tuesday became only the second state representative elected to four terms as leader of the Texas House, and he afterward predicted there would be no new taxes this year.

"I'm not worried about a tax increase," Lewis, D-Fort Worth, told reporters after being re-elected speaker by a 149-0 vote on the 71st Legislature's opening day. "I rule out a tax bill in 1989."

Lewis, addressing a packed House chamber and gallery, called on lawmakers to address such issues as education, prisons, worker's compensation, the tax system, AIDS, drugs and providing health care.

He said he believes the mood of lawmakers is to "do what we have to do with what we have," but he said he expects the money to be found to address priority areas.

"I think the economy's on the rebound. If you look at all the recent indicators, Texas is slowly rebounding back," he said. "The economy's stabilizing. I look to the comptroller to give us a better

and more favorable finance forecast in the next 30 to 60 days."

The Legislative Budget Board, which includes Lewis, has said there is a \$1 billion gap between projected revenue and the cost to maintain state services for the next two-year budget.

Budget problems are nothing new for Lewis, who was first elected speaker in 1983, following Billy Clayton, a Springlake Democrat who was elected four times to that position beginning in 1975. Founder of a label manufacturing company and a hunting enthusiast, Lewis first was elected a state representative in 1971.

In his management of the House, Lewis described himself as a "member's speaker." He has appointed Republicans — who number 57 in the 150-member House — as well as Democrats to head committees.

"Members, let us unite as one to forge ahead in confronting the challenges of a new Texas," Lewis said in his acceptance speech.

"For many years, Texas meant opportunity. Today, many no longer believe in the promise and

potential of Texas. It is a time, therefore, for us to show that we believe in ourselves," he said.

Lewis was nominated by Rep. Stan Schlueter, D-Killeen, and seconding speeches were given by Reps. Larry Evans, D-Houston; Patricia Hill, R-Dallas; Ashley Smith, R-Houston; Juan Hinojosa, D-McAllen; and Mark Stiles, D-Baumont.

Schlueter, chairman of the tax-writing House Ways and Means Committee, noted the state fiscal troubles in recent years including the drop in oil and gas prices, the ensuing need for new taxes and federal court orders to improve the prison system and facilities for mental health and mental retardation.

"Through it all, Gib has been an island of calm in a sea of conflict," Schlueter said.

Among those attending the opening day ceremony in the House were Gov. Bill Clements, state Comptroller Bob Bullock, Attorney General Jim Mattox, Treasurer Ann Richards and several Texas congressmen, including U.S. House Speaker Jim Wright.

Former Navy technician accused of selling secrets

NORFOLK, Va. (AP) — A former Navy technician was arrested Tuesday on charges of trying to sell anti-submarine warfare secrets to the Soviet Union. The FBI said he was seeking revenge because the Navy had discharged him for indecent exposure.

Craig D. Kunkle, 39, of Virginia Beach, a former chief petty officer, was charged with attempting to deliver classified information to a foreign government after he was caught trying to sell secrets to undercover agents.

The charge carries a sentence of up to life imprisonment upon conviction.

Kunkle, who had been working as a security guard, was arrested by two undercover FBI agents at a Williamsburg motel, according to Irvin B. Wells III, special agent in charge of the FBI's Norfolk office. Wells told a news conference that Kunkle

had classified documents with him at the time.

An FBI affidavit filed in U.S. District Court said Kunkle talked on six occasions, beginning in early December, with a person he believed to be a representative of the Soviet embassy in Washington. In fact, the person was an FBI agent posing as a Soviet agent, the affidavit said.

"During each of these conversations, Kunkle discussed his desire to sell classified United States Navy military secrets to the Soviet Union for monetary gain, and as revenge for his discharge from the United States Navy," the affidavit said.

The affidavit said Kunkle was discharged in October 1985 under "less than honorable conditions" as a result of his non-judicial punishment for multiple acts of indecent exposure committed at the Barber's Point Naval Air Station in Hawaii.

FBI spokesman Charles W. Steinmetz said the undercover investigation by the FBI and the Naval Inves-

tigative Service prevented disclosure of any damaging information to the Soviets.

"We did stop him from providing the information," he said.

Kunkle was first identified by counterintelligence surveillance of telephone calls to the Soviet embassy in Washington, said a source who spoke on condition of anonymity. U.S. counterintelligence agencies routinely monitor telephone calls to the embassy as part of efforts to prevent spying.

The affidavit said that on Dec. 9, Kunkle mailed a packet of documents, photographs and diagrams to the undercover agent at a post office box in Alexandria. Kunkle's intention was to show the type of classified information he could provide, the affidavit said.

On Dec. 14, a Navy official in Norfolk determined that the material consisted of sensitive defense information the affidavit said.

Senate greets five new members, elects assistant presiding officer

Austin (AP) — Texas senators Tuesday greeted five new members, heard words of encouragement from a former governor, and elected a man often described as a fiscal conservative — John Leedom of Dallas — as their assistant presiding officer.

It was an historic first day in the 71st Legislature as it marked the beginning of Lt. Gov. Bill Hobby's final regular legislative session.

"Just another opening day," said Hobby, who first presided over the Senate in January 1973 and has said he will not seek reelection in 1990.

Leedom, R-Dallas, was rou-

tinely elected as the Senate's president pro tempore, a job traditionally based on seniority.

Leedom, 67, is among five senators who came to the Senate in 1981 but is listed as senior as a result of a drawing at that time, according to Senate Secretary Betty King.

His election places him third in the gubernatorial succession, and several senators said in a joking manner that they would pray for the health of Hobby and Gov. Bill Clements.

Leedom responded in kind, saying he would use whatever influence he has to see to it that Clements and Hobby "don't

buy tickets on the same airplane at the same time."

Leedom is president and chief executive officer of Wholesale Electronics, Inc. He served five years on the Dallas City Council.

Sen. Eddie Bernice Johnson, D-Dallas, said Leedom "makes money for the state so I can spend it — who could have a better friend?"

Fellow Senate Republican Don Henderson of Houston described Leedom as "a man who is sometimes wrong but never in doubt."

Leedom, paraphrasing President-elect George Bush, said he hoped he could provide a "kinder and gentler Senate."