

 **DOW** 11,504.62  **AMEX** 2,153.24
 **S&P 500** 1,209.88  **NYSE** 7,240.26
 **NASDAQ** 2,604.04

STOCKS INSIDE

SENIOR EDITOR/BUSINESS JAMES MEIER (760) 778-4623 or business@thedesertsun.com

TECHNOLOGY



Factory workers join hands in stacking sand bags to make flood barriers at Nawa Nakhon industrial estate on the outskirts of Bangkok, Thailand, on Monday. APICHAET WEERAWONG/THE ASSOCIATED PRESS

Mother Nature deals blow to global computer industry

Thailand flooding could affect PC supplies, prices, delay production

The Associated Press

SAN FRANCISCO — The personal computer industry, already reeling from depressed demand, has been dealt another setback: Massive flooding in Thailand has curtailed production of a critical component — computer storage drives.

Factories producing a third of the country's hard drives have temporarily closed as flooding has gradually spread since August. Prices have spiked, and Apple warned that its Mac products will likely be affected.

Computer manufacturers, the companies that supply hard drives and the makers of components for those drives are all bracing for troubles. What's not yet clear is what extent PC production lines will be affected and whether PC makers will absorb costs or pass them along to consumers.

Thailand makes about a quarter of the world's hard drives and is the second-largest producer behind China, according to IHS iSuppli. Market research firm IDC estimates that the flooding has already affected a third of the country's output, equating to more than 120 million hard drives a year. Avian

Securities says the slowdown is already leading to price spikes that have added several dollars to the cost of some drives.

The flooding has killed 317 people, mostly from drowning. Nearly 9 million people have been displaced or otherwise affected. Estimates of the economic cost were \$3 billion and rising.

The setback is particularly acute for the computer industry because it follows other troubles. Demand has slowed, particularly in the U.S. and Europe, because of debt and unemployment fears and the growing popularity of tablet computers, which causes many consumers to delay replacing PCs. In addition, the March 11 earthquake and tsunami in Japan hurt supplies of memory chips.

The biggest hard drive makers — Seagate Technology PLC and Western Digital Corp. — have warned of delays.

Western Digital has suspended its operations in Thailand. Floodwaters have affected two factories, which shut down last week. The company said its other hard drive manufacturing facilities, located in Malaysia, are fully operational. But it said flooding will have a significant impact on its ability to meet demand through the end of the year. Western Dig-

ital's Thailand operations account for more than half of the company's total hard drive output. Western Digital's stock has fallen 15 percent since the company announced its delays last week.

Seagate says that its factories in Thailand are operational but warned that it is having difficulty getting some components. It said supply will be constrained the rest of the year, though the magnitude of the disruption is currently unclear.

Toshiba has also suspended its Thailand hard disk operations, as have a number of hard disk component suppliers.

Big computer makers are worried.

On Tuesday, Apple Inc. CEO Tim Cook said he is "virtually certain there will be an overall industry shortage of disk drives." But because a thorough assessment of the damage hasn't been possible, he said he couldn't immediately give a timeline for recovery. Cook warned that Apple's Mac lines would be most affected.

Dell Inc., the No. 3 PC maker, said it expects minimal impact to supply through the current quarter, which ends this month. The company said it is working with suppliers to assess the impact for the rest of the year. Hewlett-Packard Co., the leading computer maker, said it is monitoring the situation in Thailand as operations there remain open.

VALLEY BUSINESS

Apparel firm eyes local site for new plant

Tala Corp. chief hopes to eventually shift production of her Kentucky Denim line to the United States, too

By Debra Gruszecki

The Desert Sun

Liat Tala is the picture of success.

Her company, Kentucky Denim, has sold a premium men's denim clothing line it makes in China to more than 300 stores in the United States, Japan, Canada and the United Kingdom for six years.

"We've done well for ourselves," the West Hollywood executive said. "But it's time to take the American Dream back to the United States."

On Wednesday, Tala told the Coachella Valley Economic Partnership executive board she's found a place to start anew: A 30,000-square-foot warehouse in Thousand Palms.

The venture, located in the Enterprise Zone, will open in January with 31 employees to produce a line of knitwear — tanks, tops, T-shirts, leggings and yoga pants — for men and women.

Called Tala Corp., the plan is to grow the workforce to 400 in the fifth year of operations. Ultimately, Tala wants to relocate the denim manufacturing line to the United States. "Instead of importing from China, we'd like to export from here," she said.

Costs to produce goods in China are rising. Bureaucratic tape is not

easy to unwind.

"It became a kind of oxymoron," she said. "Here we were throwing our dollars into a country when this country needs it more."

Nestled in the iHUB for now, Tala credited tax incentives and team spirit — from the broker and Enterprise Zone officials to CVEP and county officials — for the decision to locate in a rural area where jobs are badly needed.

Tala declined to release the capital investment plan, but described it as aggressive. Besides the warehouse, a flagship store may open in Blythe.

Mark Weber, manager of the Coachella Valley Enterprise Zone, said the team has worked with Tala since July. "It's a win for the Coachella Valley," he said. "It'll help put some people back to work and, hopefully, regain momentum."

"To bring back manufacturing to the U.S., and California specifically, is pretty amazing," Weber added.

Besides Tala Corp., Electric Vehicle Enterprises made a presentation. Thomas Flavin, chief executive of CVEP, also announced that Wells Fargo Bank will provide \$30,000 in seed money to help create a CVEP office in the east valley.

Debra Gruszecki can be reached at Debra.Gruszecki@thedesertsun.com or (760) 778-4643.

Industry analyst: Airfare increase is likely to stick

By Roger Yu

USA Today

Looks like airfares are rising again, just in time for holiday travel.

Discount carrier Southwest and its subsidiary AirTran matched a fare increase Wednesday that was launched by larger airlines, likely ensuring that the industry's latest attempt to raise ticket prices will be successful.

Delta Air Lines on Tuesday announced an increase of \$4 to \$10 in ticket prices for one-way trips

across much of the United States, with United Continental following. Southwest and AirTran matched it by raising \$2 to \$5 one-way on nearly all domestic fares, says Jamie Baker, an airline analyst at JPMorgan.

Other carriers, including Alaska Airlines, JetBlue, Frontier and Virgin America, have also matched.

Fare increases don't always stick because some airlines balk and carriers don't like to price themselves too high against com-

Please see FARES, A13

BUSINESS BRIEFS

Athens, Greece

Riots erupt as austerity steps get first approval

Hundreds of youths smashed and looted stores in central Athens and clashed with riot police during a massive anti-government rally against painful new austerity measures that won initial parliamentary approval in a vote Wednesday night.

The rioting came on the first day of a 48-hour nationwide general strike that brought services in much of Greece to a standstill, grounding flights, leaving ferries tied up in port and shutting down customs offices, stores and banks.

Washington

Consumer food, gas prices rose in September

Consumers paid more for food and gas last month, although inflation outside those volatile categories was tame.

The Labor Department says the Consumer Price Index rose 0.3 percent in September, below a 0.4 percent rise in August. Excluding food and energy, so-called core prices increased 0.1 percent, the smallest rise since March.

Washington

Home building jumps 15 percent in September

Home builders started projects in September at the fastest pace in 17 months, a hopeful sign for the economy. Most of the gain was driven by a surge in volatile apartment construction. That could help create jobs and boost economic growth, but it doesn't signal a comeback for the depressed housing market.

Single-family home construction, which represents nearly 70 percent of homes built, rose only slightly. And building permits, a gauge of future construction, fell to a five-month low.

Washington

Fed survey suggests hazy outlook for economy

Most areas of the country reported slight economic improvement in September and early October, according to a Federal Reserve survey of its 12 bank regions. But several regions said a hazier economic outlook is making businesses more cautious and holding back their spending.

The Fed said Wednesday that consumer spending rose slightly in most districts. A key reason was more people bought new cars, in part because dealers had a greater selection of models.

Manufacturing also rebounded, particularly in the auto industry that has been hampered since the March 11 earthquake in Japan.

Still, in some regions, businesses outside the auto industry reported a weak and more uncertain outlook.

— The Associated Press

THE ECONOMY

Retailers in giving mood this year

Desperate times mean free necklaces, shipping for holiday shoppers

The Associated Press

NEW YORK — Retailers are so desperate this holiday season that they're willing to lose money to get you to spend yours.

Take online jeweler Stauer. It's offering a \$249 amethyst necklace for free — provided customers pay the \$24.95 it costs to ship it. Stauer will lose money on the deal, but it hopes to reel in new customers who will buy other jewelry.

"In this economy, you have to be outrageous in your offers," said Michael Bisceglia, the president of Stauer who found that more than a third of customers who took advantage of a similar deal on a \$179 pearl necklace in 2009 bought additional items. "You have to shake up the world a bit."

Not every retailer will go as far as giving away merchandise during the holidays, but many will offer profit-busting incentives to lure cost-conscious consumers. It's a critical time of year for merchants, which can make up to 40 percent of their annual revenue in November and December. And they're so worried that Americans are spooked by the weak economy that they're willing to sacrifice profit for sales.

Nordstrom, for instance, is one of the first retailers to offer free shipping on most orders, no matter how



An amethyst necklace is displayed in New York. Online jeweler Stauer is offering a 49-amethyst necklace for free — provided customers pay the \$24.95 it costs to ship it. THE ASSOCIATED PRESS

small, even though it could wind up paying \$3 to ship a \$7 pair of socks. Furniture chain Raymour & Flanigan is allowing customers to go four years without paying interest on their purchases — the longest period it has ever offered — even though it will have to help cover a chunk of those charges itself. And Sears is not only offering to match the cheapest prices customers find online, but the department store chain is giving them an additional 10 percent off the difference.

"You may be making a \$1 profit instead of a \$3 profit," Fiona Dias, chief strategy officer of members-only shopping service ShopRunner.com, said about retailers. "But

you're not losing a sale."

Retailers are rolling out incentives that essentially make their merchandise more affordable because they know the only way to get holiday sales is to offer the one thing that will attract shoppers these days: low prices. That's a change from better economic times when stores could lure customers with promises of higher quality products or better customer service.

The shift is happening as Americans continue to cut back on their spending as they grow increasingly concerned about the stubbornly high unemployment and an overall market turmoil and an unruly fragile U.S. economy.