

Cheney has already this year announced plans to close a total of 99 U.S. military facilities in Germany. A 50% cut in troop strength, and the closure of perhaps 400 U.S. bases and facilities, looks well within the realm of possibility. Early estimates suggest that the Pentagon could raise between \$5 billion and \$10 billion when it hands these real estate holdings back to the German government.

All told, the U.S. military in Germany has 47,000 separate buildings and land parcels. Included in this tally are workshops, gymnasiums, schools and hospitals, barracks, aircraft hangars, ammunition dumps and other real assets of modest value. But the pieces add up.

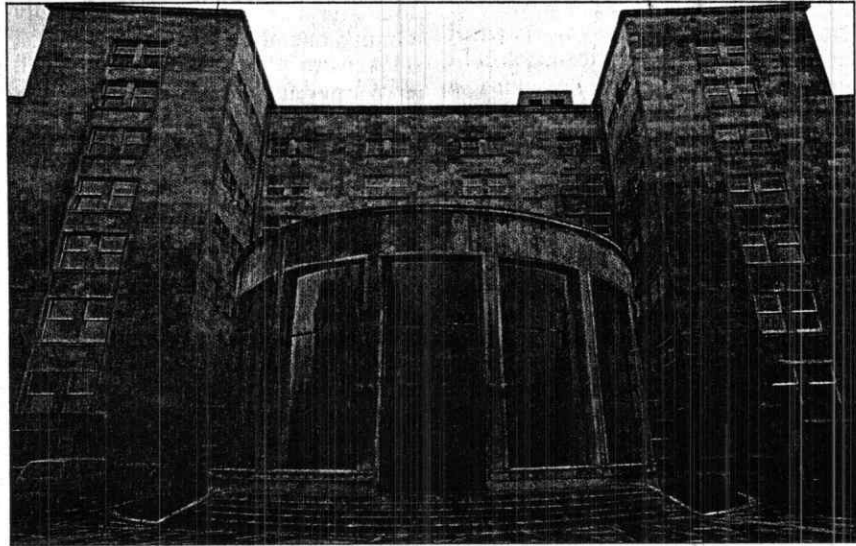
The U.S. holds land parcels totaling 500 square miles. Legally, the West German government holds title to all this land and provides it free of rent to the U.S. But in the event of withdrawal, the U.S. is entitled to recover from the German government what NATO treaties term the "residual value" of the military assets. Decoded, that means the market value of the buildings minus the value of the underlying land. Against any U.S. claims will also be set such contingent costs as environmental cleanup expenses and the cost of making ammo dumps safe.

The Pentagon is busily working out methods for determining exact German residual values. Until now, the extent of Pentagon accounting has been the calculation of only the replacement costs of all buildings and weaponry in Germany, setting this at \$75 billion. The buildings' actual market value will be substantially less.

There is one hazard for the U.S.: The German government could buy out the U.S. at a low cost, and then flip the property, pocketing all the profit. Senior U.S. diplomatic officials deem this unlikely.

The first big test will be the Zweibrücken Air Base, tucked away near Saarland and the French border. Zweibrücken is home to the 2,700 soldiers of the 26th Tactical Reconnaissance Wing. In January the Pentagon said it would shut down the 750-acre base by 1993. Pentagon appraisers argue that the facilities at Zweibrücken are top flight, and can be converted without much cost to civilian use. Local real estate agents value the airbase's 1.7 million square feet of office and residential space alone at \$150 million to \$180 million.

The impact on the German economy of U.S. property sales should be beneficial. Tight zoning laws have led to chronic shortages of residential and commercial land. These are most



I.G. Farben's old headquarters in Frankfurt

May be worth \$2 billion once the U.S. Army clears out.

acute in the southern half of Germany, in the economically vibrant regions of Bavaria, Swabia and Hesse, where the majority of U.S. facilities are situated. Land for development is expensive here, selling for \$300,000 an acre in rural areas, and upwards of \$15 million per acre in cities like Frankfurt, Stuttgart and Munich. In Mannheim, a crowded town just south of Frankfurt, the local government says it wants to assist in the conversion of all vacated U.S. facilities there to civilian housing.

The last time the Pentagon negotiated such a major withdrawal claim was in France in 1966, following Charles de Gaulle's peremptory decision to close down all 54 U.S. facilities. The U.S. asked for \$400 million; after nearly a decade of rancorous argument, we accepted \$100 million.

This time the U.S. may play tougher. Anthony Duno, one of the Pentagon appraisers working on Zweibrücken, says he is "viewing it as a real estate developer would." That's promising news for U.S. taxpayers. ■

After its parent spun part of it off to American stockholders, PolyGram Records began spending big to become an integrated entertainment giant. But it takes more than money to make it in Hollywood.

Please don't leave us, Janet Jackson

By Peter Fuhrman

SISTER OF MICHAEL and pop star in her own right, 25-year-old Janet Jackson is up for grabs. Just nine months after PolyGram N.V. acquired the high-energy rock 'n' roller by paying \$460 million for A&M Records, Jackson's contract is expir-

ing. Avidly courting her are Britain's Virgin Group, Sony's CBS Records and Time Warner's Warner Music Group.

Losing Jackson *soeur* would be an embarrassing blow for PolyGram. She's A&M's bestselling act—her latest album, *Rhythm Nation 1814*, has sold 6 million copies and brought the company about \$45 million in reve-



PolyGram's Janet Jackson
But she's almost out the door.

nues. Jackson herself ranks number 26 on this year's Forbes Top 40 list of the world's richest entertainers (Oct. 1).

Who is this PolyGram, and whatever gave it the idea it could compete in the tough, dirty U.S. record business? Based in the Netherlands, \$2.3 billion (1989 revenues) PolyGram N.V. is the world's third-largest recording company, after Warner and CBS Records. It was a wholly owned subsidiary of N.V. Philips, Holland's consumer electronics giant. Then, last December, Philips sold 20% of PolyGram to the investing public; the company's shares trade on the Amsterdam and New York Stock exchanges, where the entire company is valued at around \$3 billion.

PolyGram gets 75% of its operating profits in Europe. But it wants to go global—and that means developing a major U.S. presence.

PolyGram's glaring weak point is rock music for the U.S. market. Lots of money and management time are being thrown at the problem. In addition to A&M, PolyGram bought Britain's Island Records. In all, PolyGram spent \$730 million to buy just \$25 million of net earnings. Sony, by contrast, spent \$2 billion in 1988 for CBS Records, with a far stronger group of artists under contract and earnings of \$100 million.

Any way you cut it, PolyGram has a long way to go. David Fine, its British chairman, says 1990's full-year earnings will show little improvement over last year's; this in the face of a 20% growth in overall recording industry sales and booming sales of

highly profitable compact discs. PolyGram's operating margins in 1989, at 11%, were half those of industry leader Warner and declining.

PolyGram hasn't shown much of a knack for locating and nurturing acts on its own—which is why the loss of Janet Jackson would hurt so much. Last year PolyGram in the U.S. had 11 gold or platinum records (those selling 500,000 or 1 million copies). Warner Music had ten times as many.

But PolyGram isn't giving up. *Blaze of Glory*, the recently released recording by teen heartthrob Jon Bon Jovi, has gone to the top of the charts. Next year will bring new recordings by PolyGram's big three—Def Leppard, U2 and Sting. Even so, Alain Levy, the respected record industry executive who has run PolyGram's U.S. operation for barely a year and is set to take control of the entire company in Janu-

ary, is uncorking no champagne. "Our budget next year will be tight," says Levy, "exactly the same as this year."

Films? PolyGram will this year spend about \$55 million coproducing five to eight films. Whether any will be hits is anyone's guess.

PolyGram has one great recording strength: It dominates the market in classical music. Its artists include Luciano Pavarotti, Dame Kiri Te Kanawa and both the Berlin and New York philharmonic orchestras. One-half of all classical recordings sold this year will be PolyGram recordings. Unfortunately, sales of classical music account for only 10% of the recording industry's sales, as against 85% for popular stuff.

Pavarotti, bless him, doesn't appeal to teenagers and recent graduates from adolescence—and they're the ones who buy most of the records. ■

Why Sigourney Weaver is pushing Nippon Steel, and other tales from Japan's latest efforts to cope with a labor crunch.

Lightening up heavy

By Hiroko Katayama

AT FIRST GLANCE, the Japanese TV commercial looks like a pitch for avant-garde clothing. A sexy model, dressed as a jester in pink and purple, struts around a stage like a marionette, and then confides: "I like you, Kawasaki-kun."

The Kawasaki ad running on Japanese television is part of the big motorcycle and shipbuilder's attempt to soften its image as a boring old heavy industrial smokestack firm. The ad isn't meant to sell products. Its purpose is to convince new university graduates that heavy industry à la Kawasaki is really glamorous stuff.

How cutthroat is the competition for workers? Last spring each male university graduate entering Japan's work force got an average of 3.2 job offers. Companies used to spend \$15,000 to \$20,000 to recruit each graduate hired. But the new ad cam-

paigns have raised those per capita figures tenfold, estimates Tetsu Kayama, an official at Recruit Co., the leading Japanese provider of recruiting information and services. Thanks to surging demand for its services, Recruit Co. has rebounded from the political scandals in which it was embroiled in 1988-89. And Dentsu, the huge advertising agency, has set up a new department just to handle corporate recruiting ads.

Jobs with an image of what the Japanese call "the three Ks"—*kitanai*, *kit-sui*, *kiken* (dirty, difficult, dangerous)—are especially hard to fill. No surprise, then, that steel, trucking and construction companies have been the most aggressive users of the wacky and often nonsensical commercials.

Explaining why one of Kawasaki Steel's ads features a famous Japanese comedian dressed as a peanut playing a tuba and drum, Katsuyoshi Yamashita, manager of the company's gen-