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By BILL RICHARDS

Special to THE WALL STREET JOURNAL

PHILADELPHIA — After four failed bone-marrow transplants, Stephen Grupp's patient, an eight-year-old girl with advanced leukemia, died in January.

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CellPro's fate and the abrupt cancellation of the Ceprate trials have triggered an unusual outpouring of anger from many

What's News—

Business and Finance

IBM IS BEING AUDITED by Britain's tax authority, which is seeking to determine whether IBM improperly avoided taxes by having its U.K. unit pay artificially high royalties to the parent company, said people familiar with the matter. The inquiry was sparked by charges from a former employee that IBM avoided paying up to \$500 million in taxes.

(Article on Page A3)

Cinergy defaulted on contracts to deliver power to a number of trading customers last Friday at the height of a heat wave in the Midwest. The disclosure by the Cincinnati utility sparked jitters on Wall Street.

(Article on Page A2)

The White House plans to nominate Roger W. Ferguson as vice chairman of the Fed board of governors. If approved, he would become the first black to serve as vice chairman.

(Article on Page A2)

Most retailers posted modest sales gains for last month, with same-store sales rising 6.6%. But July is expected to turn out to be more profitable than usual, as merchants were able to sell more of their offerings at full prices.

(Article on Page B3)

Iridium's bonds are being snapped up by "vulture investors," who have accumulated as much as \$800 million of the satellite-phone maker's \$1.45 billion of debt. They are likely to pressure Motorola to keep Iridium afloat and to seek an ownership stake.

(Article on Page B4)

Productivity in the U.S. slowed in the second quarter, while unit labor costs rose at the fastest annual rate in more than 19 months. Workers' output increased at a 1.3% annual rate, while the labor costs climbed 3.8%.

(Article on Page A4)

The Internet IPO boom appears to be sagging under its own weight. As of yesterday's close, 37% of the 156 Internet-related public offerings this year

World-Wide

CONGRESS PASSED big GOP tax cuts, setting up a sharp political confrontation.

Four Republicans broke ranks and one was absent in the 50-49 Senate vote. The 221-206 House tally saw a handful of defections on both sides. The \$792 billion package goes to Clinton for a promised veto next month. Until then, both parties will press their cases for how surpluses should be used. A Treasury analysis says 77.6% of the GOP cuts would go to families with incomes above \$100,767. (Articles on Pages A2 and A3)

A \$37.7 billion spending bill that cuts Commerce Department funds and freezes regulatory-agency budgets below Clinton's request passed the House 217-210.

Two TV stations can be owned by the same firm in big markets, the FCC decided 4-1. One firm can't own two of the top four stations in a market, however. That makes low-rated stations like USA Networks' and Paxson's attractive. (Article on Page A3)

A gunman in Alabama killed two co-workers at a heating and air-conditioning firm in Pelham, a Birmingham suburb, then drove to a firm where he used to work and killed a person there. Alan Eugene Miller, 34, was arrested and charged with murder.

A bipartisan managed-care bill was drafted in the House, posing a challenge to GOP leaders. It would let patients sue HMOs for care decisions, but damages would be limited if the firm had abided by a review board's ruling. (Article on Page A4)

U.S.-China WTO talks may be set to resume after the rupture caused by NATO's May 7 bombing of Beijing's embassy in Serbia. Announcement could come as early as this month, after a summer retreat by China's leadership. (Article on Page A7)

Yugoslavia's final breakup was proposed by Montenegro, which wants a loose federation with Serbia but its own army, foreign policy and currency. Belgrade meanwhile dropped draft evasion charges against 17-year-old opposition leader Zoran Djindjic.

Swissair offered to accept liability, along with Boeing and Delta, for the crash of New Scotland last year if plaintiffs in suits against the firms agree to waive punitive-damages claims. Swissair is facing claims totaling \$1 billion in the crash that killed 229 people.

The Chinese spy case was bungled by poor communication and sloppy investigation techniques, a Senate report says.

WEEKEND JOURNAL

Mood Music '99
Still trotting out that 'Best of Bread' album for romantic dinners? We talk to the tastemakers and compile a playlist of new music for six crucial social settings.

It's Not Easy Being Green

Don't cancel your party just because the drought killed your lawn. Quick fixes from dye to potpourri can cover up the damage.

Review: 'The Thomas Crown Affair'

Pierce Brosnan steals art—but not the show—in remake of 1960s caper classic.

In China, Enforcing Party Discipline Is A Job in Transition

Posters and Propaganda Give Way to More Social Work; Auntie Shi's Ward Healing

By IAN JOHNSON

Staff Reporter of THE WALL STREET JOURNAL

TIANJIN, China — Auntie Shi is on the prowl. Shoulders hunched and knees stiff, the 70-year-old retired telephone operator lumbers through the bustling streets of this eastern port city, her eyes darting around for signs of trouble.

Potential problems abound: Migrant workers with little money and no homes swirl through her once-quiet neighborhood. Unemployed workers jostle for space to illegally hawk trinkets. Placid retirees with time on their hands push strange sects like the Falun Dafa, banned last month in Beijing. Our work is so much more complicated than it was 20 years ago, when I started, she says.

Shi Humei, known to all in her neighborhood as Auntie Shi, has been a Communist Party member for 35 years and an enforcer of party discipline for 20. She is a "street committee," the lowest rung in the party's hierarchy. While big



Shi Humei

party members are being replaced by younger people, Shi Humei is one of the few remaining members of her generation. She is a "street committee," the lowest rung in the party's hierarchy. While big

Washington Wire

A Special Weekly Report From The Wall Street Journal's Capital Bureau

BUSH MAPS OUT his own tax-cut plan, probably to be unveiled in the fall.

The GOP presidential front-runner considers going beyond the GOP Congress's tax-cut bill to propose some type of private retirement account as part of Social Security overhaul. Undecided is whether such accounts would be funded by shaving the Social Security payroll tax or by adding money from budget surpluses. Bush wants to cut tax rates, aides say, but in ways less tilted to the rich than the GOP tax bill.

"The general outline of an economic package is well along," says Bush adviser Lawrence Lindsey. But the Texas governor may hold off until after the coming showdown between Congress and Clinton over the GOP bill. GOP rivals Forbes and Quayle accuse Bush of being too slow and timid in pushing for big tax cuts.

His "silence has been deafening," says the Forbes campaign's Bill Dal Col.

CLINTON PLANS journeys to India and Pakistan early next year.

The president pushed for the trips, which would be the first presidential visits to South Asia since 1978. After meeting with Pakistan's prime minister here recently, Clinton altered aides' wording of a statement that referred to the president's "desire" to visit the region and substituted the word "intent." India and Pakistan have long wanted a presidential visit to reaffirm South Asia's importance to the U.S.

But with the nasty disputes between the two nations, "it would be a tough visit," says former national security adviser Zbigniew Brzezinski. "Both countries would resent an attempt to mediate in a way they consider unfair, and probably both will consider any attempt unfair," says Brzezinski, who was an aide to Jimmy Carter, the last U.S. president to visit the region.

SOCKING SADDAM: Iraqi provocations may provoke tougher U.S. responses.

Officials consider bombing Iraqi military installations and other "big-ticket" targets, instead of just air defenses, if U.S. planes are targeted in no-fly zones. The move reflects American weariness over Baghdad's stepped-up defiance in the zones. The hope is that more-robust strikes would weaken Iraq's military and even embolden opposition to Saddam Hussein.

But many GOP lawmakers complain the administration has no clear Iraq strategy. They want to train and equip the opposition for a Contra-style insurgency against Saddam using millions of dollars available in the Pentagon budget. Meanwhile, the U.S.

Virtual Realty

Homestore.com Uses Its Lock on Listings To Widen Realtor Net

IPO Gets a Decent Debut, But Regulators Wonder If It Stifles Competition

The Specter of Microsoft

By JOHN R. WILKE
AND TRISTAN MABRY

Staff Reporters of THE WALL STREET JOURNAL

In traditional businesses from retailing to securities, the Internet sales model is supposed to cut out the middleman, flatten costs and force open markets. But one of the year's most hotly anticipated Internet IPOs turns that model on its head.

Homestore.com Inc., the online real-estate company, made its debut yesterday, with an initial offer price of \$20 that rose to

Boom to Bust?

Despite a rebound in Internet-related shares and one IPO's doubling yesterday, the recent carnage has left a lot of once-sizzling new stocks looking like losers. Article on page C1.

\$22.875 at the start of trading and closed at \$22.75 on volume of 9.7 million. With Internet stocks, both old and new, getting bashed around in recent days, the stock held its own; more was expected, though, of a company with such blue-chip shareholders as Fannie Mae, GE Capital and Kleiner Perkins, the venture-capital firm, and boasting the richest inventory in one of the economy's biggest sectors.

Agents and Commissions

But homestore.com's unmatched stock of property listings is both a selling point and a source of controversy. In a race that has left Microsoft Corp. and others in the dust, homestore.com, based in Thousand Oaks, Calif., has grabbed more residential-real-estate listings for its Web site, realtor.com, than any other national site, often through exclusive agreements with local realty boards. This lock on a big slice of the market helps keep agents and their commissions at the center of every transaction. In doing so, it serves the interests of the National Association of Realtors, which has a say in homestore.com's business and owns part of realtor.com, the official site of the powerful trade group.

By embracing realtor.com, says Peter

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and a single-minded pursuit of commercial advantage by both companies.

As a result, they say, hundreds of otherwise-doomed cancer patients have lost a shot at a last-ditch experimental treatment that might offer a ray of hope even as the companies persist in bitter finger-pointing. Now the National Institutes of Health, the federal government's top medical research body, is looking into what tripped up the trials and whether any patients have been harmed.

CellPro and Baxter are now out of the very business they've been fighting over for years. CellPro exists mainly on paper. Baxter has sold the operations that were developing its rival system, known as Isolex. They are now owned by Nexell Therapeutics Inc. Baxter holds a 40% stake in Nexell. On July 2, the Food and Drug Administration gave Nexell approval to market Isolex in the U.S. for the most common but less dangerous type of bone-marrow transplant. Nexell says it expects to begin marketing Isolex within the next few months.

Chaos Theory

Nonetheless, many researchers say the long feud between CellPro and Baxter has thrown the field of bone-marrow transplant research into chaos. Hillard Lazarus, a cancer specialist at Cleveland's Case Western Medical Center, says his institution, like several others, has turned away some dying patients who would have qualified for CellPro's trials. "We're fighting a battle with one arm behind our back," he says.

Richard Burt, a bone-marrow transplant expert at Northwestern University Medical Center in Chicago, says CellPro's trials were "years" ahead of Baxter's program. Donna Wall, an oncologist at Cardinal Glennon Children's Hospital in St. Louis, says the CellPro trials were "an option when there was no other option." She had two children set for the trials when they were dropped. One has died, she says.

The procedure at issue is known as cell selection and lymphocyte depletion, and it targets a critical shortcoming of bone-marrow transplants. Transplant patients are bombarded with radiation and chemotherapy to attack cancer cells in their bone marrow, where leukemia and related cancers take root. But the process also wipes out a patient's vital stem cells, which produce the blood and immune-system cells needed for survival. So some stem cells are taken from the marrow donor—or from the patient, if the patient is the source of the marrow—before the procedure, and reinfused after the chemotherapy and radiation.

The problem is that stray cancer cells or powerful immune-system cells called lymphocytes can lurk in the reinfused stem cells, reigniting the cancer or triggering transplant rejection. CellPro's Ceprate system, the centerpiece of which is a tall column containing genetically engineered,

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