Wisconsin Motor Carriers Association

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For Immediate Release: **March 13,2000**

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TRUCKERS CALL FOR TAX FREEZE ON MOTOR FUEL

The Wisconsin Motor Carriers Association has called on the legislature to freeze "indexing" of the motor fuel tax. Every year, beginning April 1st, the automatic tax or "indexing" to motor fuel increases, based on consumer price changes. The tax has been adjusted every year since 1984, except 1992.

"This is a critical time for the Trucking Industry because profit margins are thin and diesel fuel prices has skyrocketed 48 cents per gallon (a 50%increase) from a year ago. As a result, most trucking companies can't afford to absorb diesel cost increases and don't have the ability in a highly competitive market to raise prices to cover the drastic increases", said Tom Howells, president of the WMCA.

With "indexing", Wisconsin's gas tax is now (including the PECFA fee) 28.8 cents per gallon and is expected to rise to 29.4 on April 1, 2000 and 30.2 cents in 2001. Wisconsin's rank on the motor fuel tax is now **FIRST** in the Midwest region and **SECOND** in the country, only Pennsylvania has a higher diesel tax.

Diesel fuel accounts for the second largest expense for a typical trucking company behind labor costs. By freezing the indexing formula on fuel, Wisconsin would save motorists up to $18 million in gas tax savings in 2000 and another $24 million in 2001.

"We need relief, the industry is facing a fuel crisis situation," said Marc Bentley, Director of Government Affairs. "Now, the State Legislature should take pro-active legislative action and freeze the motor fuel indexing to begin on April 1st.

Other states are considering similar action to help aleviate high fuel prices. In Illinois for example, the state Senate voted to remove the state sales tax on gasoline that would cut 9 cents off a gallon of gasoline at the pump. Illinois's tax already is 3 cents lower than Wisconsin's tax, and if enacted by the Illinois legislature, there would be a huge fuel price disparity between the two states.

Part of the problem for higher gas taxes in Wisconsin is the constant reliance on the gas tax to help fund and pay for all modes of transportation in Wisconsin. Motor fuel taxes alone provide about 65 percent of state transportation revenues, compared to a national average of about 50 percent. This reliance on the motor fuel tax has driven Wisconsin's gas tax 9 cents higher than Minnesota's, 8 cents more than Iowa's and 6 cents higher than Michigan's. The reason, all other states use one or more additional forms of revenue including general-purpose revenue (GPR). Wisconsin uses no GPR or a local sales tax option to help fund transportation and most states do, especially for rail, transit and harbor investments.

"Remember, that 77% of Wisconsin communities are served exclusively by truck. The extreme increase in diesel prices has an obvious effect on the trucking industry, but it also adversely impacts the communities that are so dependent on trucking, " Howells said.

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Memorandum

To: All Legislators

From: Representative Michael Lehman

Date: March 14th, 2000

Re: ***Co-Sponsorship of LRB 4704***

I am circulating LRB 4704/1 relating to: delaying the re-computation of the motor vehicle fuel tax rate. Currently, every year the motor vehicle fuel tax is adjusted for inflation. This bill simply postpones the re-computation for one year; i.e. the tax is not adjusted for inflation for the year 2000.

Due to the extreme time constraints on this legislation, legislators interested in signing onto this legislation must contact my office at 267-2367 **by Thursday March 16th**. The legislation will be introduced on Friday, March 17th.

For more detailed information, please consult analysis of this legislation by the Legislative Reference Bureau found below.

Analysis by the Legislative Reference Bureau

Under current law, the state imposes a tax on all motor vehicle fuel received by a supplier in the state. Annually by April 1, the department of revenue (DOR) recomputes the rate of the tax on motor vehicle fuel by adjusting for inflation. DOR publishes the recomputed rate and that new rate is effective on April 1 of each year.

Under the bill, for the motor vehicle fuel tax rate effective on April 1, 2000, DOR will not recompute the motor vehicle fuel tax rate and the motor vehicle fuel tax rate effective on April 1, 1999, will remain in effect until April 1, 2001.

For further information see the state and local fiscal estimate, which will be printed as an appendix to this bill.

Reports Required: FE-STATE

1999 ASSEMBLY BILL ________

LRB -4704

ASSEMBLY ________

relating to: delaying the recomputation of the motor vehicle fuel tax rate.

Jacket Destroyed 03-14-00
(Re-Jacketed)

Introduced by Representative Lehman (M) Cosponsored by Senator ________
(PRINCIPAL AUTHOR)

(BY REQUEST OF)

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John Ainsworth
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Jerry Petrowski
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Carol Owens
[redacted]
Carol Kelso

Could we get a new bill jacket please? Promise not to let my boss have it!
Andrew - Rep M. Lehman 103W

Halverson, Vicky

From: Jennifer Badeau [jbadeau@inxpress.net]
Sent: Tuesday, March 14, 2000 1:29 PM
To: Rep.Lehman@legis.state.wi.us
Subject: No Indexing!!!

Well, if you had any doubts, you are still our official, all-time, favorite legislator!!!! What can I do to help on your bill to suspend gas tax indexing?? -- Jennifer

Tell them to
Talk to [illegible]
Will be introduced Friday

PMAW

WACS

TO: Members of the Wisconsin State Legislature

FROM: Jennifer Badeau, Director of Government Affairs

DATE: March 15, 2000

RE: **Support and Co-sponsorship of LRB 4704**

Please consider cosponsoring Rep. Michael Lehman's proposed legislation, which would delay the re-computation of the motor vehicle fuel tax rate. It is estimated that current indexing will increase the tax from 28.8 cents per gallon to 29.4 cents per gallon on April 1st of this year. This bill would delay, by one year, that automatic fuel tax increase paid by motorists.

Delaying the automatic increase is especially timely considering that the State of Illinois is currently deliberating a reduction of their fuel tax burden which is already lower than Wisconsin's. In addition, Wisconsin's gas tax is the highest in the Midwest region. Based on 1999 figures, Minnesota's gasoline tax is 20-cents per gallon, while Michigan's is 19-cents. This difference is causing trucking firms to purchase gasoline in other states and thus hurting Wisconsin's gasoline retailers especially those on the border. Studies have shown that in the long run, disparity in gas taxes reduces tax revenue for the high tax state.

Please support and co-sponsor this important piece of legislation.

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MILWAUKEE JOURNAL SENTINEL

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EDITORIAL PAGE EDITOR KENNETH P. ROESSLEIN

DEPUTY EDITORIAL PAGE EDITOR SUE RYON

Conservation the best attack on high prices at the pump

Sure, there's been some grumbling at the pump, but the surge in gasoline prices — and what it portends for this summer — hasn't really struck home yet with most Americans. Most of the hand-wringing so far has been by politicians. That's a shame.

What many people, some politicians included, seem to be missing is how perilously dependent America and its high-octane economy has become on foreign oil, particularly from the Organization of Petroleum Exporting Countries.

Predictions that gas prices could reach as high as $1.80 or $2 a gallon by summer would not only squeeze consumers but the economy, too. Instead of talking about lowering federal or state gasoline taxes, dipping into the nation's strategic oil reserves and punishing OPEC for restricting oil production, politicians could better serve their constituents by taking the higher, more courageous road and preaching conservation.

Among the most foolhardy proposals are those to lower or eliminate state and federal gas taxes. Opponents correctly note that it wouldn't really amount to all that much of a savings for the average consumer, and it would strip federal and state governments of money to repair and improve roads, which are more heavily used than ever before, in part because of bigger, heavier vehicles.

President Clinton has said he is considering tapping the nation's strategic oil reserves. That seems premature and excessive — the reserves were intended for national emergencies, such as oil embargoes and war.

Lobbying OPEC nations to increase production, as the Clinton administration has been doing, may be the most successful short-term approach.

But in the long run, consumers, industry and carmakers need to pursue conservation more vigorously. Cheap gas is not an inalienable right; gas prices in most of the world are much higher than in the United States.

Americans who insist on driving large, gas-guzzling sport utility vehicles and trucks, some of which weigh more than two tons, must be prepared to bear the cost of filling their tanks and paying higher vehicle registration fees. In the meantime, Congress needs to get serious about requiring that sport utility vehicles meet tougher fuel efficiency requirements. Why shouldn't SUVs and minivans, which are, after all, passenger vehicles, meet the same federal fuel standards as full-size sedans?

One of the best plans for any kind of fuel is to use it wisely.

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As China liberalizes its economy and closes inefficient state-owned industries, huge numbers of workers lose their jobs. China needs to create 12 million jobs a year just to stay even. That is why it needs to develop its economy and why it needs U.S. trade.

The good news is that economic development promotes human rights. As Internet use grows, for instance, China will be inundated by foreign ideas and influences. The growth of foreign banking, insurance and other industries will exert other pressures. The rule of law will inexorably replace arbitrary political decrees.

Access to information about the West played an important role in the democratic revolution that transformed Eastern Europe, and trade has been a lever of change in such Asian nations as South Korea and Taiwan. It is no accident, therefore, that China's membership in the WTO has been endorsed by human rights organizations and by China's liberal intellectuals.

Members of Congress may be able to gain short-term political gains by trying to isolate China. But isolating the world's largest country — trying to turn it into another North Korea — is both impossible and dangerous. It won't create new jobs, and it won't free dissidents from prison. For that, trade and economic development is essential, and so is legislation to promote that goal.

connecting Wisconsin to the world

Wisconsin Transportation Builders Association

Tim Peterson, President
James Peterson Sons, Inc.
Medford, WI

Tom Walker
Executive Director

American Road & Transportation Builders Association

DATE: March 15, 2000

TO: All Wisconsin Legislators

FROM: Tom Walker, Executive Director Tom Walker

RE: Opposition to Reductions in Wisconsin's Motor Fuel Tax Rate

The Wisconsin Transportation Builders Association is adamantly opposed to any suspension or repeal of motor fuel tax indexing. We ask your vote against any such proposal in the closing days of this Legislative session for these public policy reasons:

- Modest reductions in the fuel tax rate will be very costly to all transportation users. Even a one penny reduction would cost the Transportation Fund $31 million a year, <u>on a continuing basis</u>, which will mean currently programmed highway projects will be delayed or cancelled.

  If indexing is just suspended this April, the revenue loss will still be about $20 million each and every year into the future.

- Indexing was enacted in the 1983 Biennial Budget to assure long-term stability in transportation funding, despite fuel price fluctuations that made it politically difficult to raise fuel tax rates as other prices escalated.

  Wisconsin's fuel tax was not adjusted between 1966 and 1980, in a period of major inflation. As a result, Wisconsin's transportation infrastructure rapidly deteriorated in the 1970's and needed projects were indefinitely postponed. Indexing assures this will not happen again.

  Indexing adjusts tax rates for Wisconsin's primary transportation revenue mechanism to inflation, just as indexing tax brackets now assures stability for income taxpayers.

  Sales and income taxes are also effectively already indexed to general prices. Even with annual indexing and a 1-cent increase in the fuel tax rate in 1997, total motor fuel tax collections grew 54.2% from 1989 through 1999, according to the Wisconsin Taxpayers Alliance. By comparison, individual income taxes <u>automatically</u> grew 100.4% and sales taxes grew 73.9%, *<u>without legislative action to raise rates</u>*.

1 S. Pinckney St., Suite 818 Madison, WI 53703 Tel. 608.256.6891 Fax 608.256.1670 E-mail: wtba@midplains.net

Fuel taxes as a percent of Wisconsin personal income actually declined, decreasing from 0.68% in 1989 to 0.61% in 1999.

- Wisconsin's fuel tax rate is comparatively high. There are two <u>long-term</u> options to address this issue:

    - ♦ Wisconsin could reduce the fuel tax and raise auto registration fees, which are comparatively lower than in neighboring states. That would, however, shift more of the cost of our highways away from out-of-state motorists buying fuel. It would also shift the burden from heavy trucks to lightweight vehicles, since truck fees are already high in Wisconsin.

    - ♦ Wisconsin could broaden its transportation revenue base as all other 49 states do, beyond traditional highway fees. WTBA strongly supports this approach as an alternative to increases in the fuel tax rate beyond indexing.

- While fuel prices are high now, the last three decades show that fuel price volatility is the norm. Spikes are followed by reductions, as the marketplace adjusts supply and demand. Government action to manage the price at the pump inevitably fails.

- Any realistic reduction in the state fuel tax rate will have a minimal impact on driver cost. Driving 15,000 miles a year at 23 miles per gallon, for example, consumes 652 gallons of fuel. A penny reduction in the fuel tax rate would save that driver $6.52 a year, or about 13 cents per weekly fill-up

  And there is no guarantee that any reduction in the fuel tax will be passed onto consumers. Complaints of cost-squeezing by dealers clearly prove that any reduction in cost will first be used to shore up profit margins.

- The balance in the Transportation Fund is less than $1 million. <u>Immediate</u> cuts in programmed transportation funding would be required, including the postponement of projects ready to be let to contract this summer.

- The fiscal outlook for the next biennium is poor. Even with indexing, existing revenues are unlikely to fully cover current program costs plus inflation, given that registration and other fees are not indexed.

  There will be no new funding available for any transportation initiatives, at a time when full reconstruction of the SE Wisconsin Freeway System looms, and the Legislature will be evaluating expensive passenger rail investment proposals.

- This is not the time to suddenly reduce revenues. Thoughtful, responsible changes in how Wisconsin funds transportation need careful evaluation of long-term goals and impacts.

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TELEPHONE (414) 276-0304
FACSIMILE (414) 276-0803

March 17, 2000

Dear Mickey -

Enclosed are two articles on oil and gasoline prices which I hope you'll read. Generally, I think they are balanced in their analyses.

I hope you will be open to reconsider your position on the six-tenths of a cent/gallon tax waiver proposal. While I don't like to pay taxes anymore than the next person, we must raise taxes to maintain and improve our road system to ensure our strong economy and preferred method of travel. And on the second point, Mickey, the 6/10 of a cent will be totally obscured at the pump by the dominant drivers of price - the cost of crude oil, refining costs and state and federal taxes.

Our domestic dependency on foreign oil, now at 50% and growing, allows us little to no control over the price of crude oil or the security of supply. As much as Americans hate high prices for gasoline and diesel, they hate even more short supplies as we saw in the '70s. And we hate overcrowded and poorly maintained roads which interfere with our right to drive comfortably and quickly.

Thank you for your consideration. If you have any questions, please feel free to call. Regards Jack McKeithan

Potential Impacts of a Gas Tax Holiday

Can the adjustment of the gas tax be administratively suspended?

The statutes governing the Department of Revenue's collection of the gas tax state the following: s.78.015 Annual adjustment of tax rate. (1) Before April 1 the department shall recompute and publish the rate for the tax imposed under s 78.01 (1).

Since the wording in the statutes is "shall" we do not believe there is an opportunity to suspend the change administratively.

What impact does a suspension of the gas tax collection have on the Transportation Fund and the Department's programs?

Suspending the indexing increase scheduled for April 1, 2000 (.6 of a cent) would reduce the revenue stream to the Department as follows:

Freeze Fiscal Year:	Revenue Reduction:	Biennial Total:
2000	$4,700,000	
2001	$18,600,000	$23,300,000
2002	$18,800,000	
2003	$19,700,000	$38,500,000

The operational impact of this reduction in FY 2000 would be to eliminate the Department's ability to pay for the refund for the railroad ad valorem tax. A continued suspension of the April 2000 increase would impact the Department's ability to fund highway rehabilitation projects (assuming there were no adjustments to Chapter 20 funding levels), and it would limit the revenue available for operations and programs in the next biennium. If gas consumption would decline at the same time, other programs may be impacted.

Reducing the gas tax collection by 5 cents during the summer months (June through August) would reduce revenue by $57.2 million in FY 2000 and $123.6 million in FY 2001 (biennial total of $180.8 million).

Suspending the collection of any gas tax during the summer months (June through August) would reduce revenue by $70.6 million in FY 2000 and $152. 5 million in FY 2001 (biennial total of $223.1 million).

Either one of these scenarios would have a major impact on the revenue stream for the Department. Either scenario would require significant reductions in programs including the delay of highway construction projects, service reductions and the carry forward of a deficit in the Transportation Fund for the next biennium (this assumes that no Chapter 20 changes would be made to aids programs).

Motor Fuel Indexing

- Prior to 1985 Wisconsin's motor fuel tax rate was adjusted only via direct changes by the legislature.

- In 1985 the legislature enacted an indexing formula to maintain the purchasing power of the transportation fund. (See table below for the history of motor fuel tax rate changes.)

- Indexing the motor fuel tax was designed to keep up with increases in construction costs due to inflation.

- The original indexing formula had two components:
  1. the annual change in the urban consumer price index (CPI-U); and
  2. the annual change in fuel consumption.

- These two components were intended to balance inflationary increases and growth in motor fuel consumption – to provide a stable source of revenue for the transportation fund.

- In two instances (April 1, 1989 and April 1, 1994) the two factor indexing formula resulted in downward adjustments to the tax rate.

- In 1997, concerns that the tax rate was not generating sufficient revenue to keep up with increases in construction costs prompted the legislature to enact a single factor indexing formula based entirely upon the annual change in CPI-U.

History of Wisconsin Motor Fuel Tax Rate Changes

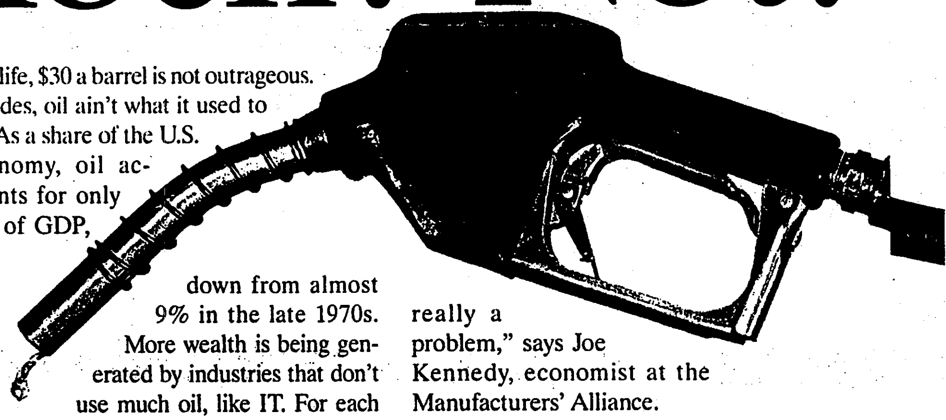
Effective Date	*Tax Per Gallon*	*Type of Change*	*Effective Date*	*Tax Per Gallon*	*Type of Change*
1925	0.020	Statutory	April 1, 1989	0.208	Indexing
1931	0.040	Statutory	April 1, 1990	0.215	Indexing
1955	0.060	Statutory	April 1, 1991	0.222	Indexing
1965	0.070	Statutory	April 1, 1992	0.222	Stuatory --
May 1, 1980	0.090	Statutory			Suspend Indexing
August 1, 1981	0.130	Statutory	April 1, 1993	0.232	Indexing
August 1, 1983	0.150	Statutory	April 1, 1994	0.231	Indexing
July 1, 1984	0.160	Statutory	April 1, 1995	0.234	Indexing
April 1, 1985	0.165	Indexing	April 1, 1996	0.237	Indexing
April 1, 1986	0.175	Indexing	April 1, 1997	0.238	Indexing
April 1, 1987	0.180	Indexing	November 1, 1997	0.248	Statutory
August 1, 1987	0.200	Indexing	April 1, 1998	0.254	Indexing
April 1, 1988	0.209	Indexing	April 1, 1999	0.258	Indexing

→ REL-LWR
From: DFMYC

FIRST:

PRICES ARE HIGH—ARE WE IN FOR AN

Oil Shock? Not!



BY CAIT MURPHY ■ Relax: This is not an oil shock. It is not even an oil tremor. It is something along the lines of an oil belch: Not particularly appealing to experience, with an unpleasant aftertaste—but hardly threatening. How can that be? The price of a barrel of oil has tripled over the past year—surely, that has to be a problem. Ah, but when it comes to oil, self-evident truths vaporize like a tank of gas in a '67 Chevy. The bottom line is that the recent run-up in oil prices will hurt a few people for a little while, such as truckers and residents of drafty, old, oil-heated homes. The rest of us will shrug it off.

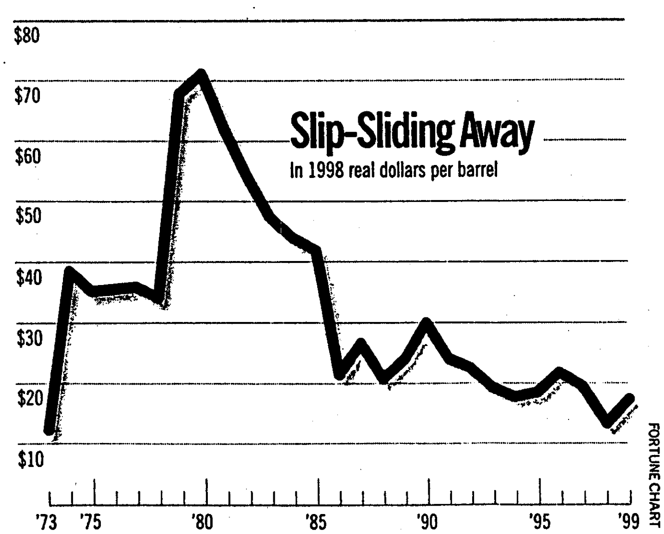
The price shock has been a couple of years in the making. In 1998 everything went wrong for oil exporters. Consumption rose only 0.1%, far less than anticipated, because of a mild winter and unexpected economic crises in Asia and Russia. OPEC, in a ludicrously awful bit of timing, had just turned on the taps, agreeing in November 1997 to increase production. Lots of supply, low demand. The result: Prices crashed. In 1999 the opposite happened. Asia's unexpectedly robust recovery led an increase in demand for oil; the U.S. winter was cold. And OPEC, in a remarkably adept bit of timing, had coaxed production cuts. As supplies and inventory waned, prices rose, hitting $31 the first week of March.

Because the oil shock of the 1970s had such a massive effect on the public psyche, there is a knee-jerk fear whenever prices rise a lot. But this time prices tripled from abnormally low, even derisory levels (see chart); in real life, $30 a barrel is not outrageous. Besides, oil ain't what it used to be. As a share of the U.S. economy, oil accounts for only 3% of GDP, down from almost 9% in the late 1970s. More wealth is being generated by industries that don't use much oil, like IT. For each dollar of GDP America generates, it uses half as much oil as a generation ago. (For more, see The Web Page.)

Even manufacturing appears untroubled. Many companies hedge their energy risks through futures contracts. Few plants use oil for power generation anymore, and those that do often have the ability to switch to another source (typically gas) if prices soar. "Given that we got through the Asian crisis hardly breaking stride, I think $30 oil isn't really a problem," says Joe Kennedy, economist at the Manufacturers' Alliance.

The price of oil isn't likely to stick at $30 a barrel, anyway. OPEC is scheduled to meet March 27 to decide whether to maintain current quotas, which expire on April 1, or to increase production to bring down prices, as the U.S. is asking. This does not set many hearts at ease, but as the disappearance of the BeeGees and double-digit inflation proves, this is not the '70s. OPEC does not want the highest possible price; it wants the highest price it can get without spurring non-OPEC production, encouraging alternatives, or slowing the world economy.

Even if producers do not agree to increase output, production is going to rise. There are a lot of holes that are not worth drilling at $10 to $15 a barrel that become moneygushers at $25 to $30. Mexico and Norway look likely to increase exports regardless of what OPEC does. The number of U.S. rigs going for oil has begun increasing, notes Heather Rowland, oil strategist at Warburg Dillon Read in New York. Fields in the North Sea, Sudan, and the



COMMENTS? TIPS? *first@fortunemail.com*

PHOTO ILLUSTRATION BY JAMES PORTO

Gulf of Mexico, in development for several years, are beginning to pump.

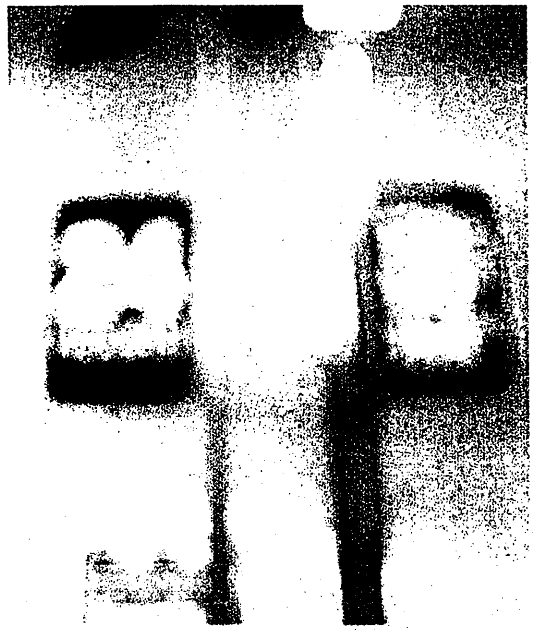
That's just non-OPEC producers, which account for about 40% of oil exports. Within OPEC, too, supply is likely to increase. Saudi Arabia, Kuwait, and Venezuela have gone on record favoring more production. Asks Luis Gusti, who was chairman and CEO of Venezuela's national oil company from 1994 to 1998: "If there is no agreement, what do you expect? That everybody will stay at the agreed level? How can they? Most of them are already producing above that." Indeed. Compliance has slipped from 88% in the second quarter of 1999 to about 76%. In January the cartel (minus Iraq) was producing 924,000 barrels per day over quota.

Put these pieces together, and it seems inescapable that there will be enough oil on the market this year to quell doomsayers. Futures contracts for September are about $26, less than April's, which are around $31. In February the U.S. Department of Energy predicted oil prices would average $24.21 for the year.

Still, gas prices won't fall until after the summer vacation season—inventories are low and it takes time for production increases to filter through to the pumps—but by early fall, the worst will be over. Let's say, for the sake of argument, that oil does stick at $30 a barrel for the next year or two. What does that do? Nothing good, of course. Already the price of gas is up, and airlines and trucking firms have begun to add fuel surcharges. That can slow growth and add to inflation: Although Grandma may not cancel a trip to see a new baby because of a $20 airline add-on, she might bring a cheaper gift. Such responses are the basis of the OECD estimate that a yearlong increase of $10 a barrel boosts U.S. inflation by half a point and slows growth by one quarter of a point. That's not good news, but hardly devastating. And if $30 oil does stick around, well, it couldn't happen at a better time. The business cycle is at a place where a mild brake on growth would still leave factories humming.

The fact is, an oil shock is unlikely, now or in the future (barring earthquakes or a Mideast war), because it is in no one's interest to have one. Says Amy Myers Jaffee, an oil economist at Rice University's school of public policy: "There is no reason to believe that this little OPEC stuff is the beginning of OPEC monopoly power. No way." If anything, the recent fluctuations are reminders that everyone has an interest in getting the price right. Below $15 to $17 or so, oil-reliant economies suffer: Slumping oil prices played a role in Russia's economic debacle in 1998, and in the election in Venezuela of Hugo Chavez, who is not capitalism's best friend. Oil at $25 to $30 a barrel worries consumers, hurts demand, and brings pressure on producers. Somewhere in between, everyone is fairly happily.

If you're in Europe, where taxes can make up 80% of the cost of filling a tank, you probably haven't even noticed the $30 blip. And if you're in the U.S. and are truly, madly, deeply worried that $30 will stick, buy a smaller car.



JASON FULFORD

As the frenzy over oil dies down, gas prices should come back into focus.

CEO DEATHMATCH!

Behind the Shootout at Citigroup

JOHN REED LOST. SANDY WEILL WON. WHILE THE PLAYERS at Citigroup strained to portray the power shift at the top as orderly—"very simple," as Reed said to the press the Monday morning he announced his plans to retire as co-CEO—this was one messy shakeup.

The showdown, coming not quite two years after Citicorp and Travelers agreed to merge, occurred at a hastily assembled Sunday board meeting, called to deal with the fact that Citi's co-CEO structure simply wasn't working. Though a vague mention of a "three- or four-hour" board meeting came out of the press conference, Citi's 18 directors talked for eight hours, including the time Weill and Reed were outside the room. What took so long? Two big issues: Would Weill, just turning 67, or Reed, 61, stay? If it were Weill—who aches to run Citi on his own, indefinitely—would he agree to line up a successor?

Weill and Reed declined to talk to FORTUNE, but people close to the drama say the succession issue was the main impediment to Weill's winning out. While Reed has wanted to retire for some time, he clearly dreaded leaving Citigroup to Weill, particularly without a successor identified. The issue came to a head at the meeting. At one point the board stood ready to tap Citi executive and former Treasury Sec-

citigroup

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