

BRIEFING

MICHIGAN

HEALTH CARE

Blue Cross named in suit

A Pontiac physical therapy company filed a lawsuit in Oakland County Circuit Court on Monday against Blue Cross Blue Shield of Michigan, charging that the insurer engaged in a malicious campaign against the company and canceled a contract to provide rehabilitation services to Ford Motor Co. workers.

TheraMatrix CEO Bob Whittton charged that Blue Cross sought to destroy the company after TheraMatrix identified \$70 million a year that Blue Cross charged Ford for physical therapy, administrative fees and charges to process claims, the lawsuit contends.

Helen Stojic, spokeswoman for Blue Cross, said the insurer had no comment until it reviews the lawsuit.

The lawsuit is the third filed this year in Oakland County Circuit Court against Blue Cross that raises issues about administrative fees Blue Cross charges customers

to administer their self-funded health plans. Two other lawsuits, filed by Oakland County government and the county Road Commission, are pending.

MORTGAGES

GMAC to lay off 73

GMAC Mortgage in Troy plans to lay off 73 workers Oct. 3 through Dec. 31.

The company filed a layoff notice with the state Monday, announcing the layoffs but without giving a reason. The overall mortgage industry has been hurt by the subprime adjustable rate mortgage meltdown and resulting credit crunch and record foreclosures.

Company spokespeople were unavailable for comment Monday.

In its notice to the state, GMAC Mortgage said some of the affected employees could be offered the chance to transfer to other jobs with the company.

NATION & WORLD



NICK UT/Associated Press

Those who paid commissions of 3% were just as satisfied with their broker's performance as those who paid 6%, a study found.

AVIATION

No free pillows

JetBlue Airways Corp. said Monday it is now charging customers for pillows and blankets.

The carrier has done away with the recycled blankets and pillows used on its flights and has started offering an eco-friendly travel blanket and pillow that can be purchased for \$7 on flights longer than two hours. The pair come in a kit with a \$5 coupon to home furnishings retailer Bed Bath & Beyond.

CREDIT CARDS

Even tougher rules

The chairman of the Senate's investigations subcommittee said Monday he supports the Federal Reserve's proposed restrictions on credit card practices, but that the rules don't go far enough.

Sen. Carl Levin, D-Mich., said in a 13-page letter to the Fed that it should expand its rules to limit such practices as charging interest for debt paid on time and interest on transaction fees.

Levin also sought and end to fees levied on consumers paying their bills on time as well as billing amounts that force consumers to pay four or five times their original debt.

ECONOMY

Consumer spending down

Consumer spending, after adjusting for inflation, fell in June as shoppers were hit with the biggest increase in prices in nearly three decades.

The Commerce Department reported Monday that consumer spending dipped by 0.2% in June, after removing the effects of higher prices, the poorest showing since a similar drop in February. The higher prices reflected a big surge in gasoline costs and helped to drive an inflation gauge tied to consumer spending up by 0.8% in June, the biggest increase since a

Bus travel rebounds for cheaper transit as fuel soars, airfares leap

ASSOCIATED PRESS

NEW YORK — It's a tale of two cities: Nikita Bernstein, 29, a dyed-in-the-wool New Yorker with a business in Boston, was in need of a cheap way to travel between his two homes. And a place to plug in his laptop, store his bike and stretch his legs along the way.

Bernstein is an example of a growing number of people, often young professionals, that are jumping on the bus as their primary method of travel. The service Bernstein uses most often, discount carrier BoltBus, offers amenities including wireless Internet, electrical outlets, extra leg room and flushable toilets.

Once considered the travel choice of last resort, some say the confluence of rising gas prices, airline headaches and

the rise of discount carriers is creating a kind of renaissance in the bus industry.

Joseph Schwieterman, a professor of public service management at DePaul University, said growth in the bus industry has accelerated recently — reversing steady declines since 1960 — as low-cost carriers such as Coach USA's Megabus and Greyhound's BoltBus take aim at the lucrative curbside business of so-called Chinatown operators.

Chinatown buses, which run from one city's Chinatown to another, offer a popular curbside service, especially among 20-somethings looking for an inexpensive way to get wherever they are going. They also operate outside of terminals, saving companies millions in building and labor costs.

Megabus was launched in

the United States in April 2006. It offers cheaper fares the longer a ticket is booked in advance, with perks comparable to BoltBus. The highest fare tops out at \$27. The Chicago-based service expanded to the East Coast in May, adding routes from New York to Washington, D.C., Boston, Philadelphia, Baltimore, Buffalo, N.Y., Atlantic City, N.J., and Toronto.

But the carrier closed its hub in Los Angeles last month, citing low ridership.

Coach USA President and Chief Operating Officer Dale Moser said the company saw the number of day passengers surge 137% last year. He attributed part of the jump to the U.S. launch of Megabus.

Overall industry growth has been concentrated on the East Coast, where carriers are vying

for the thriving business in major cities including New York, Washington and Boston.

While growth in bus service has been seen nationwide, Schwieterman said the eastern market is considered the most intense because of the presence of heavily populated cities that are more concentrated than in other parts of the country. He said he believes that one of the culprits that led to the shutdown of Megabus' Los Angeles hub was the fact that people without cars couldn't easily access the terminals.

Greyhound launched its low-cost service BoltBus earlier this year. The service began in late March from New York to Washington, D.C., and in April from Philadelphia and Boston, running routes between the cities and New York. A ticket tops out at between \$15 and \$25.

JIFFY | CEO takes slow, steady path to grow business

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He set out to boost efficiency. He increased factory floor space, rolled out new packaging assembly lines, upgraded equipment and hired workers with experience in finance, food sales and production. He called frequent staff meetings.

The effort paid off: On average, Chelsea Milling produces 950,000 retail boxes per day, up from 425,000 boxes per day 10 years ago.

"Efficiency is an internal measurement," Holmes said recently. "You have to be efficient before you're effective."

Just as he did more than a decade ago, Holmes is embarking on yet another evolution.

In addition to its mixes, Chelsea Milling is branching out, providing products to prisons, food services and private labels. It is also exporting products to 28 countries.

To support its growth, the company recently added 20 full-time employees this year, bringing its total staff to 350.

Jiffy's 21 mixes, which include blueberry muffin, fudge brownie, pie crust and multi-purpose baking mixes, make up 67% of the market for value mixes, Holmes said.

But, unlike competitors — which often have multimillion-dollar advertising budgets — Jiffy doesn't use TV commercials or ads to sell its goods.

"We have a reputation," said Holmes, who grew up in the Chelsea mill and is the fourth generation of the Holmes family to run the business. "We rely on word-of-mouth, which is really the best



Chelsea Milling

In this undated photo, an employee works in the Jiffy Mix Plant in Chelsea. The company now employs 350.



Howdy Holmes left a career of racing Indy cars to run the family business.

advertising available. But it's risky because we need to provide a consistent product."

Jiffy mixes — which cost \$1 or less — are 28% to 53% cheaper per ounce than competitors' products. Holmes said the company has kept prices low by doing minimal advertising and making its products in-house. Only its iconic boxes are made off-site — by its own print business, CNS, in Marshall.

"Eighty-nine percent of items in the baking aisle are value products," Holmes said. "It tells you something. People appreciate value."

Still, the firm has challenges. Jiffy has struggled since the early 1990s as consumers have opted for fast food and other convenience items instead of cooking at home.

In recent months, the company has battled the rising cost of flour as wheat prices neared a 10-year high in the spring.

Chelsea Milling Co.

Headquarters: Chelsea (near Ann Arbor)
Founded: 1887; Jiffy brand founded in 1930
CEO: Howdy Holmes, 60
Employees: 350

"Since 1991, retail sales have been flat to declining," he said. "We've spent 67 years as a retail company, but the future's not in home baking."

Holmes said Chelsea Milling posted 2007 sales of about \$87 million, which included retail and private-label sales. That compares with sales of about \$90 million in 2002, which only included retail sales.

Holmes said the privately-held company's projected sales for 2008 will be close to \$100 million. That will include retail and private-label sales as well as its newer divisions such as institutional, food service and export sales.

"Providing to institutions as an alternative strategy to the consumer is a great idea," said Michael Bernacchi, professor of marketing at the University of Detroit Mercy. "You might not be able to get nose to nose with customers, but you can do

that with institutions. They may even do better and succeed in a stronger way."

Holmes said the sagging economy may actually help the business. Lower incomes could force consumers to start cooking at home again.

"It's very expensive to go out. Cooking at home is definitely less expensive. The mixes are quick and easy to put together for the family, and portions are reasonable," said Mary Pilon, 71, of Canton, who has been using Jiffy for 30 years.

"Every time there's an economic slowdown or there's the R-word, retail sales go up," Holmes said. "Eating out is more convenient, but it costs more per bite than buying products in the grocery store and cooking yourself."

For now, the 20-year Indy race car driver cautions that slow and steady wins the race. "Managing growth is the most difficult thing to do. What's best for the long term is to penetrate the market at a slow but sure pace," Holmes said. "We like to under-commit and over-perform."

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PULTE | Builder to match tax credit for home buyers

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The price drops combined with the tax credit, which can apply to first-time home purchases made between April 9, 2008, and July 1, 2009, and low mortgage rates could stimulate sales, he said.

"Buyers are looking for a good buy," he said.

The housing-stimulus legislation signed by President George W. Bush last week could provide a boost to metro Detroit's struggling home market. Beyond the tax credits, it also features an expansion of a federal program to help up to 400,000 struggling homeowners avoid foreclosure.

The FHA foreclosure rescue program would help certain borrowers refinance to fixed-rate, lower-rate loans starting Oct. 1. It is voluntary for lenders, so even if a homeowner qualifies there is no guarantee that the lender will write off 10% of the principal.

And while the program won't help all struggling home-

owners, it will help those who owe more than the home is worth. To participate, homeowners who qualify should call their lender, said John Metchem, spokesman for the Mortgage Bankers Association.

"It's not for everyone," Metchem said. "The lender is going to use the program when it makes sense for the lender. Lenders lose between \$30,000 and \$50,000 on foreclosures. So they are going to take great strides to avoid foreclosure."

Matthew Adler, a mortgage specialist with North Star Home Lending in Bingham Farms, said the legislation also ends seller-financed down payment assistance for FHA loans and that could slow financing for new homebuyers.

"The \$7,500 incentive that was in the bill will certainly help, but it won't help with the down payment if they are living paycheck to paycheck," Adler said.

FHA-insured loans will require a 3.5% down payment beginning Oct. 1.

First-time home buyer tax credit

■ Individuals or a couple, who are first-time home buyers of a principal residence from April 9, 2008, through July 1, 2009, are eligible for a tax credit up to \$7,500.

■ A first-time home buyer is defined as someone who has not owned a home for at least three years.

■ The tax credit is essentially a zero-interest loan that must be repaid over 15 years beginning two years after the tax year in which the credit is applied.

■ Individuals with incomes under \$75,000 a year or couples with annual incomes under \$150,000 are eligible. For more information, go to www.federalhousingtaxcredit.com.

Key points of the FHA refinancing provision:

■ The program expands federal housing assistance that is projected to keep 400,000 families

nationwide from losing their homes by enabling them to refinance their loans at lower, fixed rates.

■ The program runs from Oct. 1, 2008, to Sept. 30, 2011.

■ The homeowners must owe more on the home than it is worth and must initiate contact with the lender. The homeowners must also be paying more than 31% of income to their mortgage payment and must live in the home they want to refinance and cannot own other property. The loan also had to be originated prior to 2008.

■ The program is voluntary for the lender, who would have to agree to reduce principal on the loan to 90% of value.

For more information, go to www.fha.gov or to the Mortgage Bankers Association site at www.mbaa.org.

10 homes built.

"This is a big step in the right direction," he said. "Most of new construction sales are limited to people who sell their home and have to move quickly or transferees. It's made a mess of the market."

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