To:

Richard Thieriot William German

From:

Howard I. Finberg

Changing
The Chronicle's
Visual Image

The following memo is a proposal to change The Chronicle's overall visual image and to make some modest changes in the paper's typographical dress. In addition, there is a discussion of the prototype sections that will be delivered to you in a few days.

The goals of this proposal are:

- Develop a more effective use of existing, limited news space.
- Give the paper a more stately, classical tone; a look that is more conservative, yet remains lively and fun.
- Make apparent the organization of the news and other content throughout the paper.
- Standardize the myriad typefaces and graphic devices in use now in order to gives the paper a more cohesive and cleaner look.
- Create a format that seems more familiar and approachable to non-readers--and is easier to read and understand for current readers,
- Maintain as much of the current Chronicle look and feel as possible.
- Support the on-going television and radio commercials that emphasize the serious reporting in The Chronicle.

The prototype will be presented in three sections:

- 1] A section of 16 fairly typical pages EXACTLY as they appeared in editions of the paper.
- 2] Those same 16 pages remade with relatively subtle changes in typography and layout.
 - 3] Those same 16 pages remade again with further changes.

The prototype pages will provide something to look at and talk about--both to get us thinking seriously about change AND to open a dialogue about how we want The Chronicle to look.

The prototypes were put together over several months by John Sullivan and Dennis Gallagher of the Art Department and myself. Matt Wilson also contributed his thoughts to the prototype and this memo.

Newspaper design/graphics is no stranger to The Chronicle. This newspaper was once in the forefront of modern newspaper design and the paper was very successful with its typographical format. The look that the paper created in the 1950s coincided with its great success in creating one of the most complete wire news reports in the country.

And while the paper continues to grow and prosper on the strong foundation built 30 years ago, times change and so do readers.

The challenge--for editor, designer and artist--is to find ways in which the paper can adapt to the changing needs and tastes of its readers. We need to create an attractive and lively design without sacrificing any of The Chronicle's current character or identity.

Any discussion about design and this newspaper must address the very basic question: "How should The Chronicle change its visual image?" It is a question that must be answered with a great deal of care and thought. A deliberate response would acknowledge any change in the appearance of the paper is something that must be done with a great deal of understanding

of the elements that brought the paper its readership.

However, now is the time in which we must look ahead and decide on the type of newspaper we wish to present to our current readers over the next several decades. And we need to decide on what type of paper will be necessary to attract new readers among those who live in the Bay Area but do not read The Chronicle.

As the paper secures its readership base in its traditional market, it is also trying to attract readers in the growth areas of Northern California. To help accomplish that goal, The Chronicle needs to be recognized as the leading newspaper in the region. To attract non-readers [and casual readers] we need to change the basic appearance of the paper. It is time to bring the look of the paper more closely in line with the more stately, conservative, serious and complete--but still lively and fun--content of the newspaper.

There is no question that as surely and slowly as the paper has changed in the past, it will change in the future. This newspaper will not look the same this year as it looked three years ago or thirty years ago, nor is this paper alone in making such design decisions. Design changes and reviews of design occur at every newspaper. Sometimes the changes happen instantly and are a bit shocking at first; sometimes the changes occur in a more evolutionary manner. It is this evolutionary approach that is best for The Chronicle.

However, discussions about evolutionary design changes do not address one of the very basic truths of modern newspaper visual editing--the need for a strong design foundation upon which the paper can

change and grow and adapt to the changes in the marketplace and journalism.

We need to decide on the look that the paper will have at the end of the evolutionary process and then plan on how to get there.

Looking at small pieces of any newspaper is like looking at a broken human bone; you might fix the bone, but without looking at the entire skeleton, the doctor has no way of knowing the condition of the patient. It is time to look at the entire Chronicle design and insure that paper's visual image is in good health and able to meet the changing forces in the marketplace.

The Big Question

 ${}^{"}W$ hy change?"

Clearly this is the most difficult area to address because of the feeling that one does not change a successful product. But, newspapers, like other products in the marketplace, are subject to changing expectations from readers.

Most newspaper editors agree that times have changed and that changes in the "heretofore gray, often drab, disorganized newspaper format are long overdue." ¹/ And while we are neither gray or drab, there are some dated typographical and design elements that we need to change.

Because times and newspapers change, the content of our paper is vastly different that of two years ago; there is more unique reporting in

the paper than ever before, especially in local, regional and business coverage. In addition, the paper has strengthened or is establishing a niche in the marketplace for some of its strong points such as columnists/opinions, lifestyle/food reporting, economic reporting; sporting/outdoors coverage.

We cannot escape being compared with other local publications, especially in the circulation areas where we want to make an impact [such as North Bay/Santa Rosa, Contra Costa County and Marin County]. Newspapers in these key areas have sported a 'new look' and in comparisons, The Chronicle's look/design seems dated or old-fashioned. These newspapers are not willing to be only a second-buy, but are trying to be full-service newspapers and are going after Chronicle readers and the new readers The Chronicle is trying to attract.

And as these newspapers--like the Santa Rosa Press

Democrat--freely use design as one of their tools in attracting new readers,
it is harder for The Chronicle to make sure that the *non*-reader sees that the
content of our paper is vastly superior to the competitor. We have the
'goods', but the packaging makes it hard for a non-reader to see that easily.

The current design foundation of The Chronicle was built in the late 1950s, and this paper became a leader in the visual field for its use of white space and typographical elements that made for exciting news pages. The Chronicle was visually exciting in an era of drab and gray newspapers.

However, The Chronicle has remained rooted in the '50s while the established leaders in media fields have undergone the examination of their visual foundation. [Time magazine, the New York Times and the Chicago Tribune are among the scores of publications, that while very successful, examined and updated their appearance, and became more successful. At the New York Times, Abe Rosenthal, who was initially quite hostile to art director Louis Silverstein, came to see design as essential to the modern newspaper.²/]

Sometimes, because we face competition in the marketplace for new readers, we are at a graphic disadvantage. Our established readers know about the 'quirks' and turns of the paper and they develop a routine to cope with what otherwise might seem a disorganized package. However, the new residents to the area, the non-readers, face a difficult task trying to understand and read the paper. If they are willing they are rewarded; if not, we lose a potential reader.

While design cannot keep readers, but it can attract them to the paper and let the content and editing hold them. We are missing out on readers who move to the Bay Area from other parts of the country who are accustomed to a more organized, easily readable design in their daily newspaper.

While striving to attract new readers, we must take care to avoid changes that would alter the character and tone of the paper and greatly upset our current readers. [No matter what design changes do take place, there will always be a few readers who will be upset]. It is vital that any design changes take place with the minimum of disruption to both staff and reader. For the most part, readers have called redesigned newspapers more informative and interesting. ^{3/}

It is the role of the graphics editor/designer to make sure that

such changes occur as smoothly as possible. We must think graphically, we must invite the reader into each page with attractive, provocative and orderly use of photos, typography and illustration. It means creating a sense of graphic identity and consistency. ^{4/}

To achieve that goal I am proposing a phased-in approach to changing the visual foundation of The Chronicle, and here is how it would be implemented.

How it can work

One of the most successful ways of insuring an orderly design transition is to phase in the various design elements into various sections.

The first phase would introduce some typographical changes into the paper, such as a new headline dress that would bring to the paper a more stately and conservative face. Such a type--discovered by John Sullivan--is not, to our best knowledge, being used currently by any other major newspaper in the country. The Chronicle would be a leader, not a follower.

This headline face, which we call Metro Modern, would replace all existing head dress in the paper, in all sections. In addition to the head face changes, there would be typographical changes in bylines and adjustments in body copy. All of these changes, brought in over a period of months, should not unsettle the reader and would give the paper a more

contemporary look.

The second phase, which is just as important, would change the makeup style to create a more organized approach to the presentation of the news. We have looked at the paper and its packaging without getting into the issue of rebooking. We feel the proper design approach would be to make better use of our existing space until such a time comes when the paper can be rebooked.

To that end, we have used labels and more structure in the design and typography to give the appearance of sectional organization. This means a more consistent and orderly flow of news throughout the paper.

This phase would take several months longer than the first, but would, at the end, produce a newspaper that would have a design foundation that could last until the next century.

All along each phase there would be very carefully controlled steps; the whole project would be backed-out from a final date. Each phase and its many steps would take three to six months and would see changes brought into different sections at different times to ensure the most positive reader response.

The Phase-In Prototype

To show the impact of those changes upon the paper, John Sullivan, Dennis Gallagher, Matt Wilson and I have produced a three-section

design prototype. This project took several months of careful consideration.

The first section contains pages as they have appeared during the last several months. These are pages from all sections of the newspaper and they reflect the current design; some pages are attractive, others less so. No attempt was made to pick 'problem' pages that would not reflect the day-in and day-out appearance of the paper.

The second section shows the first phase of the visual changes. These pages show how the changes look in the existing format; there is little changing of the structure or news judgment of the pages.

The third section has both the typographical elements and a shifting in organization to make the paper more 'reader friendly.'

Nothing is locked in stone; these changes are but one way in which the paper could go. However, much thought and work has been given to making a new design work without changing the character or nature of the paper. I feel that this is a very strong and viable approach to a very vexing problem.

I have great experience in implementing and creating a sound visual foundation, having worked on several of the design changes that took place at the Chicago Tribune, a paper that valued its current readers but wanted to attract more readers and advertisers through an editorially and

visually improved product. In addition, John and Dennis bring design skills tempered with knowledge and appreciation of The Chronicle and its design history and strengths.

Thirty years ago, The Chronicle was looked upon as a design leader. It is now time for the paper to move ahead with its appearance in the same aggressive manner it has moved ahead with its content so it can once again be established in the forefront of journalism.

Footnotes:

- 1/ David Shaw, "Newspapers Fashion a New Look to Keep Up With Times," The Los Angeles Times (1986).
- 2/ Shaw. op cit.
- 3/ Theresa G. Siskind, "The Effect of Newspaper Design on Reader Preferences," Journalism Quarterly (1979).
- 4/ Dr. Mario R. Garcia, "The Newspaper Editor As Graphic Strategist," ANPA News Research Report (1980).

San Francisco Chronicle

25c 777-IIII * * * * * PROTOTYPE/PHASE 2

THE LARGEST DAILY CIRCULATION IN NOTHERN CALIFORNIA

More modern

version of our

current Metro headline

dress

A haven for AIDS babies



Sister Marti, Brother Toby and Sister Julie with David, a healthy 8-month-old youngster whose adoption last March by the Starcrossed to Monastery in Sonoma County gave them the idea of taking in homeless babies suffering from AIDS — 87 MART WARD FOR CHRONICE

Monastery in Bay Area offers care

By George Snyder

Sometimes it is for a letter Cranston wrote to untangle red tape. Sometimes for a White House tour his office arranged for a Californian visiting the capital or for a lost Social Security check that his staff tracked down.

Minding the personal problems of voters is only part of a senator's job, but Cranston's ability to stay on top of even the finiest detail of California's business in Washington is a major reason for his political success.

for his political success.

It has kept him in office for 18 years, and made the attempt to unseat him that much more difficult for his Republican challenger, Representative Ed Zschau of Los Altos.

Zschau, 46, is running against the 72-year-old Democrat by calling him a relic of the bygone days of big government, high taxes and a weak foreign policy. He is giving Cranston his toughest race ever.

But Zschau started out as a virtual unknown. Cranston, on the other hand, is familiar to a remarkable 95 percent of California's voters.

As the senator campains around the state, it is apparent that familiarity has not bred contempt.

Just last weekend in Santa Rosa, a middleaged woman reverently approached Cranston at a meeting hall, fears welling in her eyes as she hade him well.

Then a Vietnam veteran stepped forward

folded a POW pm into the senator's long, bony hand and looked him square in the eye, "We're with you, buddy," he said.

Treating Cranston like a friendly old uncle, claifornians have been willing to indulge in the liberal stand on national and international matters to long as he keeps guarding California's parochial interests in Washington.

parochai interests in washington.
"He's been able to appeal across the board to all interests, business and labor, young and old," said polister Mervin Field. "More important, he's never been cursed with Potomac tever. He's never forgotten where he came from."

Cranston is not one to let voters forget, either. For someone who claims to find the greatest

See Back Page AIDS

White House's deceptive plan to panic Khadafy

Effort hoped for his ouster

By Bob Woodward

WASHINGTON — In August the Reagan administration launched a secret and unusual rampaign of deception designed to convince Libyan leader Moammar Khadaly that he was about to be attacked again by U.S. bombers and perhaps be ousted in a coup, according to informed sources and documents.

ments.

The secret plan, adopted at a White House meeting August 14, was outlined in a three-page memo that John Poindexter, the president's national security affairs adviser, sent to President (seagan. "One of the key elements" of the new strategy, the Poindexter memo said. "is that it combines real and llusionary events — through a disinformation program — with the basic goal of making Khadaty think cword underlined in the original that there is a high degree of internal opposition to him within Libya, that his key trusted addes are disloyal, that the U.S. is about to move

A plan of disinformation

meeting.

Maugust 25: The Ame press reports as feet neutre false information generated by the plan.

Yesterday: The Whith House responds to storic whileford in August as

against him militarily

See Page 17 KHADAFY

Reagan hails Carter at new library dedication

ATLANTA — President Reagan helped dedicate Jimmy Carter's new presidential library and mu-seum yesterday, and he celebrat-ed the man he defeated in 1880 as a president whose life and career "is distinctively and gloriously American." American.

Speaking before former mem-bers of Carter's administration and an estimated 5000 spectators ar-rayed on a grassy hillside beside the library complex, Reagan acknowl-

edged his political differences with the former president but said they came together in "mutual respect."

"For myself, I can pay no higher honor than to say simply this," said Reagan, "You gave of yourself to your country, gracing the White House with your passion and intellect and commitment."

The president observed, "This celebration is in a sense a celebration of the South — the new South that Jimmy Carter helped to build."

See Back Page LIBRARY

Why the U.S. feared a trial for Daniloff

By Ronald J. Ostrow

WASHINGTON — U.S. officials said yesterday that they went to unusual lengths to avoid a Soviet trial of American correspondent Nicholas Daniloff, partly out of fear that the Russians could put together a seemingly credible expionage case against him.

They said that their concern for

They said that their concern for what might come out of a Kremlin trial stemmed from the fact that Daniloff acknowledged receiving a Russian map that turned out to be stamped "secret" and had contact with a Russian "priest" now believed to be a KGB agent.

ed to be a Kuit agent. The officials emphasized that they were not suggesting that they considered Daniloff was in fact involved in spying, but that the Russians might have been able to portray his actions in a light embarrassing to the U.S. News & World Report correspondent and to

the United States.

the United States.

U.S. officials from the president on down continue to proclaim Daniloff's innocence of espionage charges. But a State Department official said yesterday that in taking possession of the "secreti" map, Daniloff "made a bad mistake and something had to be done to correct it."

Adding to their concern, an administration source said, U.S. officials had detected signs that Daniloff was weakening under him psychological pressures being applied to him in Moscow's Lefortiova Prison. He was showing signs of "Stockholm syndrome" — the lendercy of prisoners to identify with their captors, the official said.

"Daniloff had problems and that

"Daniloff had problems and that helps explain the extraordinary steps we took," said one govern-ment official involved in the mat-ter. "It was very, very important to avoid a trial."

See Back Page TRIAL

THE CHRONICLE POLL/The Way We Are

Bay Area prefers good life

By Tim Schreiner and Edward W. Lempinen

Last of a series

We want a pure environment and a simpler life even at the cost of economic growth and a higher standard of living, The Chronicle Poli found.

In the most extensive survey of Bay Area atti-tudes ever conducted, the poll found we are con-servative on many fiscal matters but liberal on for-eign policy, social programs and moral issues.

The survey of 740 adults in nine Bay Area coun-ties, which was conducted by the Field Institute, also found.

- Tound.

 By an 8-to-1 ratio, respondents said they want the federal government to do all it can to reduce the \$220 billion budget deficit.
- Given a choice between a simpler life with fewer material possessions and reaching a higher standard of living, we favor the simpler life by almost 3 to 1.

Two-thirds of us say it is a good time to make big

DRINKING

	1986	1985	1985
Percent who say they drink alcohol	82%	76%	67%
Percent who drave drunk in last year	P	11	NA
Percent who drink heavily	39	31	NA

purchases, but half of us are leaving our credit cards at home.

Although California benefits more than any other

See Back Page POLL

Cranston stays close to voters

By Mark Z. Barahak

Wherever he goes in California, it seems, someone stops Alan Cranston to say thank you.

Sometimes it is for a letter Cransometimes it is for a letter Cran-ston wrote to untangle red tape. Sometimes for a White House tour his office arranged for a Californian visiting the capital or for a lost So-cial Security check that his staff tracked down.

tracked down.

Minding the personal problems of voters is only part of a senator's job, but Cranston's ability to stay on nop of even the tiniest detail of California's business in Washington is a major reason for his political success.

1171 (

It has kept him in office for 18 years, and made the attempt to un-

See Back Page CRANSTON

One way to keep Top of News on Page One and clear top of page for breaking

news

INSIDE

BAY AREA

Prison Hospital: The prison hospital at San Quentin, the Department of Correction's only licensed acute-care facility, will be closed within 45 days. Page 4

War Letter: Roy Max finally received the letter written by a friend 42 years ago while on a troopship. Page 3 Humphrey: The humpback whale who blundered into our midst, sparked the lasting interest of both mythologists and marketeers alike.

Page 42

Spending: Schools are improving but the effects of a state spending limit could threaten progress, a report said. Page 8 Sensets Race: Senator Alan Cranston asked TV stations to stop airing a new Zschau ad that purports to be a news item. Page 10

See People, Page 11 Happy Anniversary, Humphrey

Skydiver: A skydiver who had arranged to have his jump videotaped died when his parachute failed to open. Page 8

NATION

AIDS: Supporters of the AIDS initiative. Proposition 64, have raised less than \$5500 while their foes reported raising more than \$1 million. Page 12

Supreme Court: The Supreme Court began hearing a California case involving the right to unpaid leaves and job retention for preg-nant women. Page 13

WORLD

Suremit: Reagan and Mikhail Gorbachev's air and few security problems. Page 23 Soutened: American was sentenced to seven years in jail in Yugoslavia for protests carried out in the U.S. Page 23

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Delaplane	Phase 2 of	
Dickey		
Editorials	changing	
	nnearance	

The Largest Daily Circulation in Nothern Califor

Street sales device

One way to keep Top of News on Page One and keep rest of page clear for breaking news

Angels win A.L. playoff opener, 8-1

See Sports

New state lotto game starts on Tuesday

See Page 2

BAY AREA

War Letter: Roy Max finally received the letter written by a friend 42 years ago while on a troopship. Page 3

a troopship. Page 3
Prison Hospital: The prison hospital at San Quentin, the Department of Correction's only licensed acute-care facility, will be closed within 45

only incensed acute-care facility, will be closed within 45 days. Page 4
Student Drugs: UC Berkeley students are seeking help for drug abuse. Page 3
Stock Sult: The Securities Industry Association sued to block Charles Schwab & Co.

block underwriting. Page 33

Mating insects: A Berkeley
zoologist studying plants and
insects has discovered a
strange mating ritual. Page 27 Humphray: The humpback whale who blundered into our midst, sparked the lasting of marketeers. Page 42

STATE

STATE
Spending: Schools are improving but the effects of a state spending limit could threaten progress, a report entry Page 8

said. Page o Sonate Race: Senator Alan Cranston asked TV stations to stop airing a new Zschau ad that purports to be a news item Page 10

AID\$: Supporters of the AID\$ initiative, Proposition 64, have raised less than \$5500 their foes reported raising more than \$1 million. Page 12 Skydiver: A skydiver who had had his jump videotaped died when his parachute failed to

NATION

Crimes: Crimes against individuals and households in 1965 fell to a 13-year low, a survey found. Page 6

Supreme Court: The Supreme Court began hearing a Cali-fornia case involving the right to unpaid leaves of ab-cense and job retention for pregnant women. Page 13

pregnant women. Page 13
Whiripool: Candido Jacuzzi,
inventor of the swirling whirlpool bath that bears his name,
has died at 83. Page 30

WORLD

Summit: Reagan and Mikhail Gorbachev's meeting will Gorbachev's meeting will take place in a land of pristing air and few security prob-lems. Page 23

Sontones: American was sentenced to seven years in jail in Yugoslavia for protests carried out in the U.S. Page 23 New Biscovery: Christopher Columbus first landfall in the New World has been relo-cated to an island. Page 7

WEATHER

Bay Area: Locally dense fog Thursday morning near the coast, otherwise sunny. Highs, 65-85. Page 29

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& Chanick Aubishing Co. 1966

BRIEFING U.S. denies link to downed plane



Sandinistas claim Washington plot

MANAGUA. Nicaragua — The Nicaraguan government I san night put on display the American captured after the erash of a Contract supply plane and claimed that he and at least one other American killed in the erash were U.S. military advisers in El Salvador. captured after the erash of a Contra supply plane and claimed that
he and at least one other American killed in the crash were U.S.
military advisers in El Salvador.
Looking dirty and sunburned,
American Eugene Hasen/us appear

They were identified as Captain
William H. Cooper, a pilot with

ed briefly at a press conference in Managua and acknowledged in a terse statement that he had been captured by Sandinista troops in southern Nicaragua.

Sandinista military officials

Southern Air Transport of Miami, and Wallace Blaine Sawger Jr., the co-pilot. Their homelowns were not available.

The third crew member killed apparently was a Nicaraguan. He was not identified.

The Sandinista government alleged that two of the Americans, Hasenfus and Sawger, worked for the U.S. military group based in El Salvador.

Sandinista officials presented to the press authentic looking identifi-cation cards issued by the Salvador-an air force that identified the two as U.S. military advisers.

Officials also displayed business cards that Cooper allegedly was car-rying from the commander of the Salvadoran navy and the operations coordinator of the Nicaraguan Hu-

See Buck Page SANDINISTAS

Crew's employer named

Chronicle Wire Services

WASHINGTON — The Reagan ministration said yesterday that American-manned supply pli-that crashed in Nicaragua v sponsored by a private group, the CIA.

Sources in the administration the private group is led by reti U.S. Army Major General John

Singlaub is the head of the Uni States Council for World Freed an organization based in Phoenix.

an organization based in Phoenix. The State Department, the partment of Defense and the CL sued categorical denials that plane, which was shot down in N ragua on Sunday, was owned, nanced or sponsored by the U.S. χ erument.

erument.
"It was, (from) all we know plane hired by private people, appently some of them American," Starty of State George Stuitz's They had no connection with US, government at all."
However, Assistant Secretary State Elliott Abrams lauded planes crewmen as heroes helped Nicaraguan rebels surviveutoff in US, aid.

ernment in Managua

A spokesman for Singlaub, Jo Downey, relayed a statement fr him: "I've been informed about situation. We know nothing abou

Deukmejian's lead is widening

By Steve Wiegand Chronicle Corresponden

SACRAMENTO — Governor Deukmejian has widened his lead over Tom Bradley, but the number of undecided voters has grown, according to a California Poll released yesterday.

Poll released yesterday.

The statewide survey showed Republican incumbent Deukmejsize of the process of the poll-representation of the poll-representation of the process of the proces

The poll, taken between Sep-tember 24 and October 2, showed a four-point gain for Deukmeijan over the lead he held in early August. But it also showed that the number of undecided voters had more than doubled since then, from 6 percent to 15 percent.

"An increase in voter indeci-



sion during the latter stages of a long campaign is not an unusual phenomenon." said polister Mer-vin Field. "It is often a sign that voters are beginning to give more serious consideration to the up-coming election."

Other poll findings:

Bradley has suffered a further erosion of support among his fellow Democrats. Although 63 percent of the Democrats polled in August said they would vote for him, the percentage in the cur-rent survey was 56 percent. By contrast, 79 percent of the Repub-licans polled say they will vote for Deakmejan.

■Of those who said they would "definitely vote," 51 per-

See Back Page POLL

Signs of a battle over proposed BofA merger

First Interstate increases bid.

By Lorna Doubet

Analysts said yesterday that First Interstate Bancorp will have to increase its \$2.77 hillion bid for BankAmerica Corp. significantly if it wants to acquire the nation's second-largest banking company.

Meanwhie, California banking rival Security Pacific Corp, sad it opposes any takeover of BankAmerica. Sources indicated that Security Pacific would like to help keep BankAmerica independent by buying its Seaffirst subsidiary. That would help BankAmerica raise capital.

The first public move in a giant corporate chess game was made late Monday when BankAmerica reveal-ed it had received a merger offer from Los Angeles-based First Inter-state Bancorp.

state Bancorp.

To acquire the financially belea-guered San Francisco company, First Interstate proposed a stock swap that it valued at \$18 for each of BankAmerica's approximately 154 million shares outstanding.

Expectations of a higher Expectations of a lighter fer sent BankAmerica stock \$2.50 a share yesterday to close \$14,70 on very heavy volume of \$11,100 shares. First Interstate st slipped \$1.25 to \$53.50.

511,100 shares First Interstatest shipped \$1.25 to \$45.50.

Bank-America said late Monistouries in the State of the Monistouries and late Monistouries and the Monistouries in the State of the State of the Monistouries in the State of the Monistouries and Mon

But at midday Security Pac But at midday, Security Pac California's second-largest b and the nation's seventh-larges sued an unusual statement, say that it "will not make a bid BankAmerica" and maintan that "it is important that the E of America remain an indepen-organization."

The statement, by Security cific Chairman Richard Flam continued: "We have assured management of BankAmerica C

Effect of U.S. revisions on state taxes

By Dan Rosenhelm Chronicle Economics Editor

California taxpayers will pay an average of 6.8 percent more in state income taxes as a result of the federal income tax overhaul, unless the Legislature cuts state

tax rates.

The higher payments would result in a \$755.6 million bonanza to the state, according to a study conducted for the Franchise Tax Board by the Washington-based Policy Economics Group.

The report also found that the average feeleral income tax burden of California residents will drop by 7.2 percent under the new code.

That reduction, although undoubtedly welcome, is considerably less than the 10.1 percent tax cut for the average taxpayer nationally.

The smaller tax payings for California readents are considerably the state of the conduction of the serverse taxpayer nationally.

The smaller tax savings for Cali-See Back Page TAXES

Outburst by woman at terror trial

Reaters

LONDON — The Irishwoman's resentment against the lover she thought had tried to turn her into an instrament of destruction finally burst out yesterday at the end of her cross-examination.

In more than three hours on the stand at the Od Bailey criminal court yesterday morning and Monday afternoon, Ann Murphy had spoken in barely audible tones and avoided the gaze of Nezar Hindawl, the Jordanian accused of trying to send her last Aprilt on an El Al Jumbo jet with a half-inch thick sheet of deadly explosive hidden in her carry-on bag.

Now, glaring directly at him, she

Now, glaring directly at him, she ied out: "You bastard, you! How and you do that to me?"

Shocked by her own outburst, she clutched at the air and the wooden edge of the witness stand in an effort to regain her composure. Sobbing and speaking as if to herself rather than the courtroom, she said: "Excuse me. Oh, forgive me. God forgive me."



But when she looked up, her eyes again focused on the man in the dock, to whose child she gave birth last July, and again she cried

'I hate you!, I hate you!" Hindawi stared back blankly, showing no emotion.

A few moments later, as his de A few moments later, as his de-fense counsel pressed Murphy to say that she had believed that her lover was involved in drug traffic that would guarantee her a high standard of living, the corners of the accused man's mouth curled in-to an expression that could be inter-preted as faint amusement.

The witness' outburst came at the same point in the chronology of her story that she had reached when she broke down briefly Mon-

It came as she recounted her moment of truth, when she realized that Hindawi had sent her to Israel courier for an explosive that would have destroyed her, her unborn child and 374 other El Al passen-

The sheet of Czechoslovak-made explosives was still undetected after it was passed through two X-ray ma-chines at Heathrow but an El Al security man—who was allowed to testify sesterday afternoon from behind a wooden screen as an anon-

See Back Page TRIAL

Inmate linkec to 2 slayings in Belmont

By Perry Lang

Police said yesterday thave solved the mysterious eders of two Belmont youngstone of them a teenager listermissing for five years.

missing for five years.

Belmont officers named Scott Dunkle, 25, as the sust They said they will ask the San eo County district attorney's of office murder charges ag Dunkle, who is also the prime peet in a third killing in Sacram County.

Dunkle, now serving a six Dunkle, now serving a six-burglary sentence in state pr. has now been "positively" link the death of John Thomas Da 15, identified yesterday as the I found Saturday in Edgewood C ty Park in an unincorporated of Redwood City, Belmont p

Deck allows

for more

headline

language

One way to showcase an exclusive Chronicle story or feature

Cranston's lead eroding, more 'undecided'

Alan Cranston's once-formidable lead over Ed Zschau in the U.S. Senate race has slid to five points among registered voters and just three points among those most likely to vote, according to a new California Foll. The new statewide survey showed no signifi-cant increase in Representative Zschau's stand-ing But Senator Cranston's support has shrunk and the pool of undecided voters has grown, indicating that Zschau's sharp attacks on the three-term incumbent have had their intended effect.

"Zschau is not really making any real move-ment yet," said pollster Mervin Field, "but

there's a drop of support for Cranston. He's made Cranston more vulnerable."

Democrat Cranston leads Republican Zschau by five points, 44 percent to 39 percent, among registered voters. In August, Cranston led by 13 points, 51 percent to 38 percent.

points, 31 percent to 38 percent.

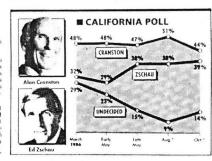
With the election only weeks away, the latest poll also asked those surveyed how likely they are to vote on November 4. About eight out of 10 (81) percent said they will definitely vote—and among these likely voters, Cranston led Zschau by 43 percent to 40 percent.

Therefore the recognition of the percent.

by 43 percent to 40 percent.
Throughout the summer, Zschau ran a lackluster campaign while Cranston savaged the
challenger with television commercials accusing
him of "flipf flops" After Labor Day, however,
Zschau responded in kind, with commercials

In September alone, Zschau spent \$2 million running his television commercials. Cranston's campaign estimates the Senator spent \$1 million on commercials in September, although Exchau's managers maintain that an extra \$500,000 was spent on Cranston's behalf by the national Democratic Party.

Zschau's attacks seemed to have their As a stacks seemed to have their most telling impact on conservative Democrats. Field said it is not yet clear whether the apparent who should be his solid base of support. The current split among Republicans is Zschau, 65 percent, and Cranston, 17 percent, not much



San Francisco Chronicle

THE VOICE OF THE WEST

THURSDAY, DCTOBER 9, 1986

Soviet nuclear sub sinks

Russians say reactor is harmless

WASHINGTON — A Soviet nuclear powered submarine armed with 6 missiles that were capable of reaching U.S. targets sank 18,000 feet into the Atlantic Ocean yesterday, three days after a fire and explosion tore open its hull, the Pendagon said.

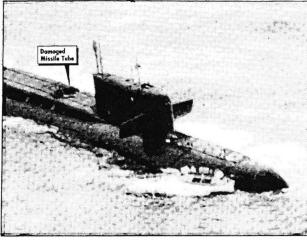
tagon said.

The submarine, which surfaced Friday morning, had been on a patrol about 1300 miles off the East Coast of the United States when the liquid fuel in one of its missiles caught fire, causing a gigantic explosion that ripped the cap off one of its missile tubes and tore holes elsewhere in the 1300 ton ship, according to the Department.

Department.

One of as many as five Soviet merchant ships that had steamed to the scene attempted to tow the sub northeastward for much of the day and night Sunday Crewmen aboard the merchant ship frasnogravineysk cut the tow line after the salvage crew apparently could not control the leaks, a Pentagon officials said.

Pentagon officials said the stricken vessel went down about 4 a.m. EDT, shortly after crewmen, illuminated by red and green flares, were seen leaving the deck and boarding lifeboats. A Navy tug, the Powhatan,



A rescue vessel moved alongside the bow of the stricken submarine

down and presented no threat of a nuclear hazard. The announcement on nightly television news came sev-eral hours after Washington had re-purted the sinking. Tass did not iden-tify the submarine's class or its rossition.

Friday, officials said

Friday, officials said.

Three men died in the initial explosion, the Soviet Union reported.

Small boats battled heavy seas as they rescued the remaining crew members, according to the Pentagon. The 425-foot vessel of the class that is

cruiser Kirov to rush to the scene apparently to have nuclear specialists aboard assess the situation inside the submarine. The Kirov was still far away when the sub sank, sources said.

See Back Page SUBMARINE

BofA studies merger offer by **First Interstate**

\$2.77 billion deal proposed

By Lorna Doubet Chromoie Staff Writer

BankAmerica Corp. disclosed yesterday that it has received a \$2.77 billion merger proposal from first Interstate Bancorp, parent of California's fourth-largest

A combination of the two banks would be by far the biggest banking merger ever, forging a financial institution with \$166.5 billion in assets and subsidiary banks in II Western states. Both companies own banks in California.

in California.

Last night's announcement came after months of speculation and rumors that BankAmerica, which has lost almost \$1 hillion during the past 18 months, would need a financial transfusion or be taken over.

However, yesterday's bid is ap-parently the first that will be con-sidered seriously by the bank's board

The bank has been under strong amniotic fluid in the mother's womb, threatening to collapse her uterus, and preventing the normal growth of the fetal lungs, Harrison said in an interview

To perform the difficult fetal surgery, Harrison and his col-

regulatory pressure to strengthen its capital base, and the bank's offi-cers and directors could face share-holder suits if they do not consider legitimate merger proposals.

legitimate merger proposais.

As outlined in a brief statement last night, the complicated, two-part deal proposed by First Interstate would be worth about \$2.77 billion to BankAmerica shareholders, or \$18 a share. BankAmeria's stock closed at \$12.125 yesterday.

Under the terms of the proposal, each share of BankAmerica common stock would be swapped for 0.22 of a share of First Interstate common stock and one share of a new "participating preference" share

share.

The common stock would be worth \$12 a share, based on yester day's closing price of \$54.75 for First Interstate. In addition, First Interstate shad that its investment bank er, Goldman Sachs & Co, belleves that the participating preferred stock "would be valued in today": stock would be valued in only's leagues first opened the mother's uterus and moved the back, the abdomen and the legs of the fetus to a position where the lower part of the unborn boy was outside the womb.

Then the surgeons made an incision in the fetus' tiny abdomen, cre-

Inmate linked

Police said yesterday they have solved the mysterious mur-ders of two Belmont youngsters,

missing for five years.

Belmont officers named Jon Scott Dunkle, 25, as the suspect. They said they will ask the San Mateo County district attorney's office to file murder charges against Dunkle, who is also the prime sus-

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to 2 slavings

in Belmont

By Perry Lang

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Nicaragua claims it shot down U.S. fliers

MANAGUA. Nicaragua — Government troops have shot down a plane supplying U.S.-backed Contar rebels, apparently killing three people and capturing a fourth who said he was a U.S. military adviser in El Salvador, the Nicaraguan Defense Ministry said late yesterday.

The statement said the captured man identified the three casualties as Americans and said he was Eu-gene Hafenfuf, 35, a U.S. military adviser stationed in El Salvador.

There was no confirmation by U.S. officials in Central America. In pect in a third killing in Sacramento County.

Dunkle now serving a six-year

Washington, Major Eugenia Thorn-ton, a Pentagon spokeswoman, said she had no report that the plane incident had occurred and no iden-tification of any individuals who might have been aboard such a flight.

She even questioned whether Hafenful was a U.S. military adviser, saying, "I don't believe he's one of ours."

of ours."

The Nicaraguan statement said infantry units of the Sandinista People's Army, using Soviet-made portable antiatreraft missiles, shot down the camouflaged plane at burglary sentence in state prison, has now been "positively" linked to the death of John Thomas Davies, 15, identified yesterday as the body

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Mayor picks Nothenberg

Nominated for chief administrator's post

By Dave Farrell

Ten years after he was de-nied the job — perhaps because he had a shaggy ponytail — Ru-dy Nothenberg yesterday was nominated to become the city's No. 2 administrator.

Nothenberg, general manager of San Francisco's Public Utilities of San Francisco's Public Utilities Commission, was chosen by May-or Dianne Feinstein to become the city's next chief administra-tive officer.

Feinstein made the announce-ment during her annual State of the City address to the Board of Supervisors. She declined to say who she favors to replace Nothen-berg as PUC chief, whose major duty is overseeing the city's Mu-nicipal Railway.



What the Chief **Administrative** Officer is

■ The second most powerful official in City Hall

official in City Hall

Oversees 2500 employees working in 11 departments, including the huge Department of Public Works, with combined budgets of \$200 million a year

■ The job pays \$106,000 a

city's beleaguered Department of Social Services.

But the big news was Nothen berg's nomination. If he is con-

ed the second most powerful offi-cial in City Hall, oversees 2500 em-ployees working in 11 departments, including the huge

See Back Page NOTHENBERG

Kasparov wins world chess title

Washington Post

MOSCOW — Challenger Anatoly Karpov gave up his fight to regain the World Chess Championship yesterday in Leningrad, offering a draw that clinched the championship for Garri Kasparov and ended the most pro onged and bitter struggle for the title in its 100 year history.

The draw gave the 23-year-old champion 12 points to Karpov's 11. Their 24th game will be played as scheduled tomorrow, but Kasparov is assured the title.

After playing 95 games through three matches since September 1964, the two are separated by only

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Happy Anniversary, Humphrey

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WEATHER STOCKS Foggu

By David Perlman

Surgeons at the University of California in San Francisco have successfully opened a pregnant woman's womb to operate on her 23-week-old fetus and correct a major defect threatening the life of the unborn baby.

The infant, a boy, was born nine eks later in a Texas hospital and

is now a year old. He is living with his parents in Texas and returned to San Francisco last week for a sec-ond round of more conventional surgery.

UCSF reports rare fetus surgery

The operating team was headed by Dr. Michael Harrison, a pediatric surgeon at UCSF who has been a leader for years in the controversial field of fetal surgery. The case of "Baby Mitchell," as he has been identified, marks the longest time a

haby has survived after a full-scale operation before birth.

During the mother's pregnancy, prenatal diagnosis discovered that Baby Michell was a state of the control of th premain diagnosis discovered that Baby Mitchell was suffering from a urinary tract obstruction and kid-ney defects that would have killed him before birth.

Blockage of the infant's urine was preventing the formation of

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More use of informational graphics