What Obama's victory means for business

Corporate America never was among those chanting "four more years."

For businesses, President Barack Obama's victory means above all an end to hopes for what might have been—a more sympathetic ear in the White House, a lighter touch with regulation, business-friendly changes to the tax code, an attenuation of the health-care overhaul.

Instead, CEOs are simultaneously hoping for a softening of the perceived standoff that characterized the president's first term in office while bracing for more of the same.

The energy sector, for example, worries Mr. Obama will feel obliged to reward crucial support from environmentalists by continuing to crack down on energy exploration and drilling practices that have been criticized. The telecom sector is shelving plans for big acquisitions that might have been more feasible under a Mitt Romney administration. And companies are preparing for provisions of the health-care overhaul that will soon come into effect.

On top of all that are wild cards like the debate over the half a trillion dollars in spending cuts and tax increases known as the fiscal cliff, and potentially expensive policy issues like climate change. Concerns about such issues were front and center in the stock market on Wednesday, when the Dow Jones Industrial Average shed about 275 points.

Here's a rundown about what a number of key industries face in Mr. Obama's second term:

Health Care

President Obama's re-election means the complex health-care overhaul—with its coverage-expanding benefits and new costs for the industry—is here to stay. But the health-care industry still faces plenty of questions as the law is implemented.

hat business in general performed better than the slumping broader market, helped by surging shares of hospital companies and insurers that manage Medicaid plans. Companies such asHCA Holdings Inc. HCA +9.44% are expected to benefit when a projected 30 million Americans gain health coverage starting in 2014, which should lessen the burden hospitals bear from patients who can't pay their bills. HCA surged nearly 10% to $33.91 in afternoon trading Wednesday.

Managed-care companies are also expected to benefit by gaining millions of new customers, though that will be offset as provisions like a requirement to cover people who are already sick put a squeeze on profit margins. All the major companies slumped in early trading, led by a 7.9% slide to $70.18 at Humana Inc. HUM -7.88%

Among the looming issues: The structure of new health-insurance "exchanges" where consumers can shop for policies, and rate increases that will become evident as insurers start figuring in the cost of new taxes that kick in 2014.

"There are still a lot of regulations to be proffered," Mark T. Bertolini, chief executive ofAetna Inc., AET -4.20% said in an interview. "Now we'll see a flood of those coming out in the next three months."

Medical-device companies such as Medtronic Inc. MDT -3.04% and Boston ScientificCorp. BSX -3.55% have been battling to try to do away with a 2.3% excise tax on revenue scheduled to start Jan. 1. They will have to flex their lobbying muscle now—and they do have some bipartisan support to do away with the tax—to try to push something through Congress.

—Jon Kamp and
Anna Wilde Mathews

Natural Resources

Drilling won't slow, but the energy industry fears President Obama's re-election will mean tighter environmental regulations and higher costs.

The president has repeatedly expressed support for natural gas as an alternative to coal. But the administration also has to take account of environmentalists' concerns that hydraulic fracturing—the drilling technique that sparked the boom in gas supply—could harm water supplies.

The Environmental Protection Agency is already developing tougher regulations on that process, along with related water use and air pollution emissions.

"It is our bet that we will witness more stringent regulation and greater friction—permitting challenges, environmental hurdles—in the system in order to appease the winning coalition," Bill Herbert and Jeff Dietert, analysts with energy research firm Simmons & Co. said in a note on Wednesday.

The Dow Jones U.S. Oil and Gas Index was down 2.8% in midafternoon trading.

Drilling won't necessarily slow as a result. The Obama administration adopted new offshore drilling safety rules following the 2010 Deepwater Horizon accident in the Gulf of Mexico. Yet drilling has largely rebounded and even expanded, with Royal Dutch Shell RDSB.LN -1.16% PLC attempting to explore for oil off the Alaska coast in the Arctic Ocean this summer. The federal government may even permit firms to explore some areas off the East Coast in the coming years.

President Obama promised to take away some tax incentives from the energy industry during the campaign. Negotiations to reduce the deficit and head off the fiscal cliff could provide an opening, but getting higher energy company taxes through a politically divided Congress may not be easy.

Renewable energy projects, a priority during the president's first term, will likely remain a focus, though additional stimulus money is considered highly unlikely in the wake of controversial investments in solar energy company Solyndra LLC and battery maker A123 Systems Inc. AONEQ +Infinity% both of which sought bankruptcy protection.

President Obama is expected to give final presidential approval to extending a portion of the Keystone XL oil pipeline from Canada. But there may be caveats, including stricter environmental protections, which may slow future pipeline projects intended to deliver Canadian oil to U.S. refineries.

—Tom Fowler

Agriculture

Mr. Obama's reelection likely means four more years of policies that have benefited farmers and the companies that supply them with goods and trade their output.

Those include the administration's support for corn-based ethanol and his push for free-trade agreements that have expanded exports of agricultural products. In 2011, for instance, Congress passed a long-delayed trade deal with South Korea that provided greater access to the market for U.S. pork and grain exporters, a significant win for the industry.

The second term, however, is also expected to present some challenges for the industry. The administration has already been criticized in the Farm Belt for its tougher line on environmental regulations, and it is seen as less friendly to mergers that further concentrate sectors like the meat business.

The U.S. farm economy has grown rapidly in recent years, propelled by higher prices and growing demand for food in places like China. The Obama administration has helped by supporting the Renewable Fuels Standard, a law enacted under President George W. Bush that requires refineries to mix billions of gallons of ethanol into their gasoline each year. The mandate has been a boon for corn growers and contributed to higher prices for the grain.

Some U.S. lawmakers and companies such as Smithfield Foods Inc., SFD -3.26%the world's largest pork processor, have called for an overhaul of the rules on the grounds that they drive up the cost of animal feed and other food products. But Obama may have come out of the hard-fought election even friendlier to corn growers.

The Obama administration is "a big supporter of corn ethanol," said Bruce Babcock, an agricultural economist at Iowa State University. "And you look at the political map. Iowa, Minnesota, Illinois…They are all big corn-growing states and they went for Obama."

—David Kesmodel
and Bill Tomson

Restaurants

The president's policies have helped small businesses obtain loans to expand and recover from the recession over the past couple years, but restaurant operators are anxious changing tax rates and new health-care legislation.

Many of the nation's largest restaurant chains, such as McDonald's Corp.MCD -1.26% and Dunkin' Brands, are primarily operated by franchisees who have anywhere from a handful to a few hundred locations. As small business owners, they complain excess regulations are squeezing their profits.

"There are a lot of issues restaurants face with regulation around health care, tax rates, immigration, credit- and debit-card interchange, and menu labeling," said Scott DeFife, the National Restaurant Association's executive vice president of policy and government affairs. "The pace of these regulations is likely to pick up now that the elections are over."

Mr. Obama's health-care law, for instance, is expected to increase labor costs and prevent expansion among smaller franchisees.

"The law is going to take effect, so we will have to focus on the things within it that we can change—the aspects that will make this law so onerous," the 30-hour threshold for full-time workers and some of the reporting requirements, said Judith Thorman, senior vice president for Government Relations for the International Franchise Association.

Restaurant chains won't know how much the legislation will cost them until states set up the exchanges through which coverage can be purchased. But they believe it's going to hurt.

McDonald's and Papa John's International Inc. PZZA -0.40% have said they expect their franchisees to take a hit as they are forced to offer more expensive health insurance or pay a government penalty.

Darden Restaurants Inc., DRI -2.46% which owns Olive Garden and Red Lobster, is considering reduce its employee hours to minimize the impact. Other industry consultants expect food chains to raise their menu prices to offset the higher costs.

—Annie Gasparro

Fonte: The Wall Street Journal, Nova York, 7 Nov. 2012, International.