

Monday, March 27, 2006

Moneyline

Friday markets

Index	Close	Change
Dow Jones industrial average	11,279.97	▲ 9.68
Dow for the week		▲ 0.32
USA TODAY Internet 50	127.60	▲ 0.63
e-Business 25	100.05	▲ 0.20
e-Consumer 25	218.13	▲ 3.24
Nasdaq composite	2312.82	▲ 12.67
S&P 500	1302.95	▲ 1.28
T-bond, 30-year yield	4.69%	▼ 0.07
T-note, 10-year yield	4.67%	▼ 0.07
T-bill, 3-mo., discount rate	4.53%	▼ 0.02
Gold, oz. Comex	\$560.00	▲ 9.90
Oil, light sweet crude, barrel	\$64.26	▲ 0.35
Euro (dollars per euro)	\$1.2030	▲ 0.0064
Yen per dollar	117.46	▼ 0.45

Sources: USA TODAY research, MarketWatch.com

Market Trends, 8B

For updated quotes, send text message with **STOCK TICKER** (e.g., MSFT) or **FUND TICKER** (e.g., AGTHX) to **44636** (4INFR).

Life insurer eases rules on cancer patients

The Hartford Financial Services Group will make life insurance coverage more accessible to men with prostate cancer, recognizing rising survival rates with early detection. Hartford plans to announce today that it will offer insurance at standard rates to men 60 and older who have been surgically treated for moderate levels of prostate cancer. In the past, men had to wait up to three years following treatment to qualify for life insurance coverage and would have paid significantly more over five years.

New ways to call via Internet unveiled

Two Internet telephone services make their debut today with unusual business approaches, hoping to stand out in a crowded market with intense price competition. Lycos, the Internet portal owned by Spanish telecommunications company Telefonica, is launching a Windows-based program that provides free calls to phones when the user signs up for promotional offers for credit cards or Netflix's DVD service. The software also shows banner ads. Users who don't sign up for offers will pay 1 cent a minute for domestic calls when they exhaust their initial 100 free minutes. The other new service, called Jajah, seeks to radically simplify Internet calling, which works by breaking voice calls into data packets just like e-mail, sending them over the Internet and reassembling them into sound at the recipient's end. Users go to the company's website and enter two phone numbers — their own and the number to call. The company rings the caller's number, and after the user picks up, it dials the other number. If the call is answered, Jajah connects the two lines.

Bankruptcy filings surged 30% in 2005

Bankruptcy filings soared 30% to a record 2.1 million cases in calendar-year 2005 as consumers rushed to file before new restrictions took effect in October, according to the Administrative Office of the U.S. Courts. The law imposed credit-counseling requirements and made it more difficult for individuals to expunge their debts through Chapter 7 bankruptcy. Consumers whose income exceeds their state's median may now have to pay back debt through Chapter 13 bankruptcy. In 2005, Chapter 7 filings surged 46%, while Chapter 13 filings fell 8%. Business filings rose 14% to 39,201 filings last year.

Wal-Mart changes bank application

Wal-Mart, facing broad opposition at regulatory hearings on its plan to open an in-house bank, is changing its application and will now comply with federal rules that require lenders to serve low- and moderate-income clients. Wal-Mart said Friday it would no longer seek an exemption from the Community Reinvestment Act, or CRA, passed by Congress in 1977 to end the practice of "redlining" poorer neighborhoods by denying credit and services there. The retailer said it was originally advised by experts that it would qualify for an exemption because it does not plan to open branches and provide services to the public. Instead, Wal-Mart wants a charter for a special type of bank based in Utah called an industrial loan corporation that would only process Wal-Mart's credit and debit card and check transactions.

Briefly ...

The Securities and Exchange Commission on Friday threw out a lifetime securities industry ban by the NASD against former star investment banker Frank Quattrone, four days after his 2004 criminal conviction on obstruction and witness tampering charges was overturned. ... In a case set to start Wednesday, a Texas jury will be asked to decide whether satellite-TV giant **EchoStar Communications** stole **TiVo's** technology that lets viewers skip the commercials.

Compiled by Eric Nordwall from staff and wire reports

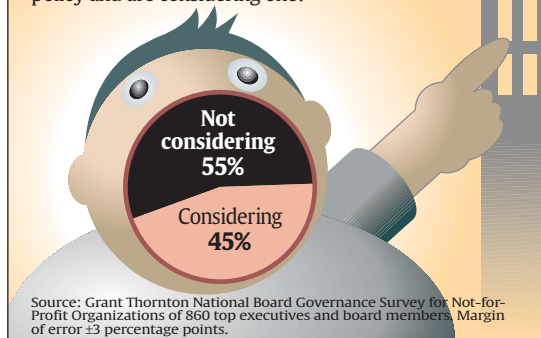
Interested in the latest tech ideas?

Read Kevin Maney's daily technology blog at blogs.usatoday.com/maney.

USA TODAY Snapshots®

Whistle-blower plans for not-for-profits

Forty-nine percent of not-for-profits have a whistle-blower policy in 2005 compared with 26% in 2004. Percentage of organizations that have no policy and are considering one:



By Todd Pitt, USA TODAY

CEO: Susan Whiting is in charge of making sure that Nielsen Media Research keeps up in a high-tech era.

Executive suite

Every Monday

Nielsen CEO doesn't shy away from challenges

Susan Whiting has lots of change to deal with as head of Nielsen Media Research. 3B

Experts ratchet up their rate expectations

Most now predict greater number of bumps on way

By Barbara Hagenbaugh
USA TODAY

WASHINGTON — As Federal Reserve Chairman Ben Bernanke gets set to lead his first interest rate meeting today, more private economists are upping their outlook for rate increases this year.

The economy While investors are betting the Fed will raise interest rates one more time after this week, more economists now predict the Fed will be raising rates well into the summer. Such action is needed to contain inflation in an economy that is growing faster than expected, says Ethan Harris, chief U.S. economist at Lehman Bros. "The market is getting lulled into sleep here," says Harris, who has added two interest rate increases to his forecast in recent months. "In reality we think that both the inflation numbers and the growth numbers will keep the pressure on the Fed."

Fed policymakers are widely expected to raise their

target for short-term interest rates a quarter percentage point to 4.75% Tuesday after the conclusion of their two-day meeting. The move would be the 15th interest rate increase since June 2004 and would bring interest rates to their highest level in five years.

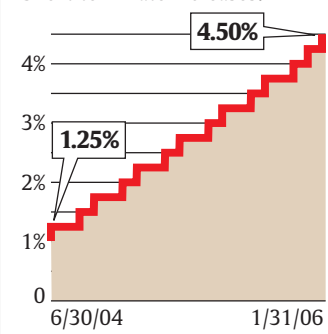
Investors in a financial market that bets on future Fed moves are pricing in an 80% chance that U.S. central bankers will raise rates again when they meet in May and then be done, according to Moody's Economy.com.

But Lehman's Harris, along with economists from The Bank of Tokyo-Mitsubishi UFJ and Decision Economics, expect the Fed will raise rates three more times this year in addition to an increase Tuesday. They expect the Fed's target will be 5.5% at the end of 2006.

"The Fed is groping now for the right rate at which to pause," Decision Economics President Allen Sinai says. "It's better to err on the side of a little higher than

Federal funds rate

Short-term rate increases:



a little lower."

Fed moves influence borrowing costs economywide. More Fed increases could mean higher mortgage and credit card rates. On the other side, higher rates can lead to greater returns on investments, such as money market funds.

This month, a number of Fed policymakers have suggested they are unsure themselves how much further they will raise rates.

Bernanke, who was sworn in two months ago, has said future moves will depend on incoming data. And while San Francisco Fed President Janet Yellen said inflation was near the top of her comfort zone, she also said the Fed had to

be careful not to "overshoot" and raise too far. Briefing.com chief economist Timothy Rogers says the Fed will raise rates just once more this year after Tuesday, "I just don't see a lot of inflation pressures."

► Economist of the year, 3B

How Barbie is making business a little better

Corporations such as Mattel, Nike and Home Depot are using their clout to improve working conditions around the world

By Edward Iwata
USA TODAY

The sewing factory in Tepeji del Rio, Mexico, made cute Barbie costumes under a Mattel license, but its workplace allegedly was horrendous.

According to a complaint filed last fall with the U.S. Labor Department by a Mexican union, the Rubie's de Mexico factory; employed underage workers, forced employees to work overtime and take pregnancy tests, and subjected workers to chemical smells that caused vomiting and fainting. A Mattel inspection of the plant found violations of Mattel's global-manufacturing codes of conduct. One violation was workers could not choose which union to join, contrary to Mattel's "right to free association" policy, says Mattel and Stephen Coats, head of the U.S./Labor Education in the Americas Project, a labor rights group.

Mattel says it recently severed ties with Rubie's after it missed a Jan. 31 deadline to fix that violation. Attorneys for Rubie's de Mexico, a contractor for Mattel licensee Rubie's Costume in New York, deny the allegations in the labor complaint, calling Rubie's "a responsible corporate citizen ... that hopes to work with Mattel again."

Since launching its codes in 1997, Mattel has cut off several dozen suppliers and licensees whose factories fell short of Mattel's standards — a model for codes adopted recently by the International Council of Toy Industries.

"We call it zero tolerance," says Mattel Senior Vice President Jim Walter. "If we find evidence of systematic violations, we're not going to do business with you."

"We call it zero tolerance. If we find evidence of systematic violations, we're not going to do business with you."

— Jim Walter,
Mattel senior vice presidentPhoto by Tim Dillon,
USA TODAY

Please see COVER STORY next page ►

Cablevision tests 'remote storage' DVR use

Instead of hard drive, operator stores shows

By David Lieberman
USA TODAY

NEW YORK — In a move that could ignite a major debate about consumer "fair use" of TV programming, Cablevision Systems today will unveil plans to test a service that gives cable subscribers the ability to record and time-shift shows using existing digital set-top boxes.

Although it works just like TiVo and other digital video recorders (DVRs) — consumers choose in advance which

shows to capture and can fast-forward through ads — the recording itself will be stored at the cable system, not on a hard drive in the consumer's home.

The technology for what Cablevision calls its "remote storage digital video recorder" (RS-DVR) "is here today, and in Cablevision's case, we can use it to put DVR functionality in more than 2 million digital cable homes instantaneously, without ever rolling a truck or swapping out a set-top box," COO Tom Rutledge says in a statement.

It will be tested on Long Island in the second quarter in advance of a broad commercial rollout. The system will give each subscriber about 80 gigabytes of storage capacity — enough for about 45 hours of programming — on the central

server. They'll also be able to record two programs simultaneously while watching a previously recorded show.

Although pricing hasn't been set, the company expects it to be less than what it charges for DVR, currently \$9.95.

Cablevision's plan is sure to irk TV networks and programmers. If it catches on, it would weaken their ability to sell reruns of their shows via Internet downloading or video on demand. They also have long held that recordings of their shows — particularly by commercial entities — violates their copyrights.

That's one reason Time Warner in 2003 scrapped plans to introduce a centralized DVR-like system it called Mysterio. It would have recorded all TV shows, giving consumers the ability to

select shows to watch on demand up to a month after they had aired.

Time Warner followed up in October with a system called "Start Over," now in 65,000 homes in South Carolina. It gives cable customers who tune in late to a show the opportunity to watch it from the beginning — but without the ability to fast-forward through ads.

Cablevision says it believes its RS-DVRs don't violate copyright laws.

"Consumers have well-established rights to 'time-shift' television programming by making copies for personal, in-home viewing," the company says. "This new technology merely enables consumers to exercise their time-shifting rights in the same manner as with traditional DVRs, but at less cost."

Storage takes starring role in tech gizmo sales pitch

By Michelle Kessler
USA TODAY

SAN FRANCISCO — As consumers fill gadgets with digital photos and music, storage is becoming a selling point for tech products.

Storage capacity used to be an obscure feature that interested only technophiles. But now — thanks in part to the growing popularity of digital music and video, photography and games — consumers are demanding it. And tech companies are responding:

► Samsung has unveiled a music-playing cellphone with 8 gigabytes (GB) of storage — enough to hold about 2,000 songs. The phone will be available in the second half of the year.

► Sony this month revealed that its long-delayed PlayStation 3 video game system will have 60 GB of built-in storage, enough to store about 13 DVD-quality movies. Each game disk will have an additional 50 GB — enough for games with eye-popping graphics.

► Google this month posted a presentation on its website outlining plans for an online storage service called GDrive. It would allow consumers "infinite stor-

age" of their e-mail, Web pages and other data. Google later said the release was an accident and declined to comment further.

"Storage is no longer in the background," says independent storage analyst Tom Coughlin. "It's not just nice to have; it's a must-have."

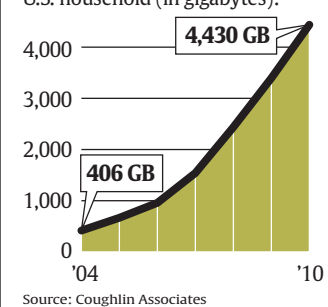
Two different coalitions of tech and entertainment companies are developing new types of DVDs that can hold far more data than today's. They're both expected to become widely available this summer, creating a war similar to the VHS-Betamax battles of the 1980s.

Speed, not storage, once was a huge problem for tech products. But now technology has improved so much that aggravating lags — such as programs that take forever to load on a PC — are no longer the norm. That's prompted consumers to pay attention to other features, Coughlin says.

The cheaper and more plentiful storage gets, the

Storage needs soar

Estimated amount of digital data stored on various devices in a typical U.S. household (in gigabytes):



more stuff consumers decide to store, says electronics analyst Ross Rubin at research firm NPD. In 1998, a digital music player with 32 megabytes (MB) of storage cost about \$200. Today, that can buy a 2-GB player — about 64 times as big.

Digital photos and music were first, but digital video won't be far behind, Rubin says. Already, young companies such as CinemaNow and Movieline let consumers download films from the Internet. Before long, "you could have a library of movies in your car that you could show to your kids in the back seat," Rubin says.

That will force tech companies to spend more on storage in coming years, Coughlin says. Although prices are falling overall, more storage is going into each device. Already, about 50% of the manufacturing cost of a digital video recorder, such as a TiVo, is storage components, he says. "It's what people want," he says.

Safety codes get taken seriously

Continued from 1B

Mattel is one of many U.S. corporations taking social responsibilities more seriously in foreign markets, from the rain forests of Asia to civil-war-torn Africa. As Yahoo, Google and other Internet giants face harsh criticism for their business practices in China, more companies realize it's smart business to be good corporate citizens in the exploding global economy.

Cover story

Companies have come a long way since the 1980s, when public outrage against apartheid forced many to withdraw their investments in South Africa, and the 1990s, when apparel and footwear companies were attacked for sweatshop labor conditions in suppliers' plants.

In earlier decades, businesses viewed such issues — known as corporate social responsibility, or CSR — as annoyances. Corporations closed ranks when attacked by labor and human rights activists and environmentalists.

Now CSR practices play a key role in business strategy. Companies are closely monitoring their supply chains. They're teaming with activists and government officials to tackle problems. Manufacturers such as General Electric and Ford Motor are investing billions of dollars in energy-saving products and plants.

"Ten years ago, only a handful of companies looked seriously at this," says Bennett Freeman, a former State Department official who is managing director at the Burson-Marsteller public relations firm. "Now, every major company has to act on the issue. It's a business imperative."

Harsh realities

The global economy is forcing U.S. multinationals to deal with harsher social and political realities, from civil violence in Nigeria to the dictatorship in China. Activists continue to pressure companies to conduct business with a conscience. Companies also fear bad publicity and legal woes, such as lawsuits filed by labor lawyers against Coca-Cola, ExxonMobil and other companies, accusing them of complicity in human rights abuses abroad.

Not all executives, though, think that corporate social responsibility is a business priority. Companies can do little when faced with civil wars and authoritarian regimes, and it's near-impossible to police the many thousands of contractors in worldwide supply chains.

But corporations clearly are moving on the issue by adopting:

► **Codes of conduct.** About 2,000 companies have joined the United Nations Global Compact, which urges businesses to embrace labor, human rights and environmental practices, from banning child and forced labor to using environmentally sound technologies.

Hundreds of company and voluntary industry codes also have sprung up in apparel and toy manufacturing, electronics, jewelry, the coal, nuclear and chemical industries and other sectors.

Critics say companies have little incentive to obey the codes. Manufacturers, for instance, didn't lessen pollution until they faced stiffer environmental laws and criminal prosecution.

"Most companies are getting a free pass with these codes of conduct," says Terry Collingsworth, an attorney at the International Labor Rights Fund.

But supporters say the codes — such as the electronic industry's backed by Intel and other high-tech titans — give U.S. companies standard manufacturing and workplace rules amid conflicting international laws.

"They're a good first step," says Aron



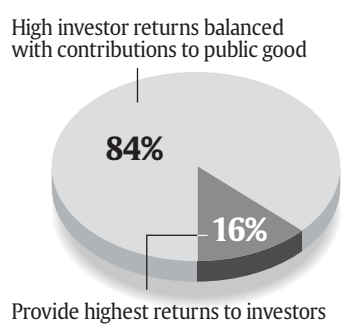
2003 photo from Mattel

Cars to go: Workers make Hot Wheels cars at a Mattel facility in China. Mattel sends inspectors to its 300 manufacturing sites in China, Mexico, Indonesia and other countries to check safety conditions and make sure employees are treated well.

Businesses accept social responsibility

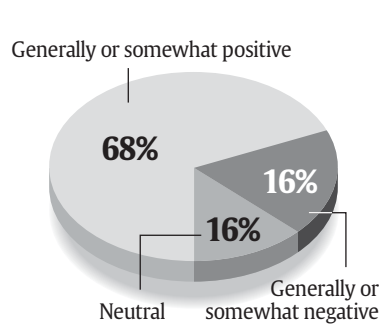
Business executives around the world say that corporations need to be responsive to shareholders and contribute to the public good. Responses to the following questions:

Which statement best describes the role that large corporations should play in society?



Source: McKinsey Quarterly survey of 4,238 global business executives in 116 nations conducted in December 2005

Which statement best describes the overall contribution that large corporations make to the public good?



By Frank Poppa, USA TODAY

Cramer, president of Business for Social Responsibility, a non-profit group of corporations. "Now an army of people around the world are reviewing factories and improving work conditions."

Home Depot polices itself. Since the late-1990s, the company — which sells 8,000 wood products — has stopped buying from suppliers who get wood from endangered trees and rain forests.

The company spends more than \$400 million a year on so-called certified wood approved by industry environmental standards, says Home Depot Vice President Ron Jarvis.

► **Social goals that boost business.** In 2004, business professors Frank Schmidt and Sara Rynes at the University of Iowa looked at 52 studies on corporate social responsibility over 30 years. They found that well-run, profitable businesses also boasted solid social and environmental records.

"Socially aware companies add value to their products and services," says CEO Jeffrey Hollender of Seventh Generation, a natural home-products firm.

Companies are setting benchmarks for performance on social issues. Like Seventh Generation, Mattel and Cisco Systems, they're putting out "corporate responsibility" reports similar to annual financial reports.

Hoping to spark local economies in countries where they do business, Cisco and other firms are investing heavily in education and job training in Africa, Asia, Latin America and the Middle East.

Over the past decade, Cisco has poured \$250 million into computer-network training programs with 220,000 graduates in developing nations, says Tae Yoo, a Cisco vice president.

FedEx, working with non-profit Environmental Defense and industrial manufacturer Eaton, is betting good environmental practices will pay off.

Two years ago, the delivery company launched a pilot project using 20 hybrid electric trucks in New York, Sacramento, Washington and Tampa. The goal: to slash smog-causing emissions by 75%

and get 50% more travel on the same amount of diesel fuel.

If all goes well, FedEx will use hybrid trucks to replace aging vehicles in its fleet of 30,000 delivery trucks in the USA and Canada, says FedEx environmental head Mitch Jackson.

"Companies come into this with a lot of cynicism," says Gwen Ruta at Environmental Defense. "Once they study the issues, they see it's a huge business benefit and the right thing to do."

Critics such as David Vogel, a University of California, Berkeley, business professor and author of *The Market for Virtue*, says corporate social responsibility is overrated. Investors don't care, and consumers won't pay higher prices for environmentally safe goods.

"Companies will make the world a better place as long as it doesn't cost too much," he says. "That's the limit of corporate responsibility."

► **Better monitoring.** A decade ago, U.S. companies had few people to inspect thousands of manufacturing sites. Their superficial audits "didn't get at the root causes of problems," says Aret van Heerden, executive director of the non-profit Fair Labor Association.

Today, Van Heerden says, more corporations are strengthening their monitoring and teaching suppliers how to better run their plants and manage workers.

The Fair Labor Association estimates that 30 or 40 companies — including Reebok, Patagonia, Liz Claiborne and Phillips-Van Heusen — now have rigorous, first-class audit programs.

Mattel sends inspection teams to some of its 300 suppliers' sites in China, Indonesia and other countries. Armed with a 50-page checklist, they eyeball safety conditions, interview workers and ensure employees are treated well.

The audits — by Mattel and Prakash Sethi, a business professor at Baruch College and founder of the International Center for Corporate Accountability — praise some plants but warn others to shape up or lose Mattel's business.

"It's not empty rhetoric," Sethi says.

"Vendors have a financial incentive to comply with Mattel's codes."

Nike also is a seasoned veteran of audits. In the 1990s, the company was a favorite target of activists because of foreign sweatshops run by its suppliers.

Now Nike inspects many of its 1,000 suppliers' factories worldwide. It grades them from A to D and warns poorly run sites to improve or get dropped, says Nike Vice President Dusty Kidd.

"Beyond the policing," Kidd says, "factories need to manage their work and manage it well."

That's no easy task — especially in countries with authoritarian regimes. Look at the problem facing Yahoo, Google, Microsoft and Cisco Systems, which were blasted last month by Congress and human rights groups for their Internet and sales practices in China.

Critics accuse the companies of compromising their values so the Chinese authorities will let them operate in the huge market. Despite the growing number of U.S. companies there, labor conditions and violence against workers have worsened, charges Sharon Hom, executive director of Human Rights in China. "Their presence alone will not lead to improvements," Hom says.

A fundamental purpose

The Internet companies disagree. "We take our ethical and moral issues super-seriously," says Andrew McLaughlin, senior policy counsel at Google. "As an information company, freedom of speech and expression are fundamental to our purpose."

Google protects the confidentiality of users from the Chinese government and also tells users when a search result on google.cn.com, the company's Chinese website, is being censored.

The Internet companies also are consulting with human rights groups, U.S. government officials and scholars to draw up business guidelines for China.

Companies are doing the right thing by staying in China, says Edward Ahnert, a business professor at Southern Methodist University and former president of the ExxonMobil Foundation. "Engaging the Chinese is better than shunning them," he says.

Reebok, for instance, is trying to improve the lot of Chinese workers. The company runs democratic-style elections in seven factories, with employees enthusiastically joining committees that work with management.

Reebok Vice President Doug Cahn says the company has shown "that workers' voices could be heard in China." The long-run goal: more worker-management collaboration in all of Reebok's 160 supplier factories in China.

As the China debate heats up, it's clear that companies' social responsibilities will loom larger everywhere as international trade grows.

"We're drafting rules of the road in the new global economy," says Michael Posner, executive director of Human Rights First. "We've made progress, but there's still a long way to go."

Lucent, Alcatel consider second attempt to merge

Action mirrors trend in industry

By Leslie Cauley
USA TODAY

NEW YORK — Leverage.

In a word, that's why telecom equipment makers Lucent and Alcatel are considering marriage. The companies confirmed late last week that they are in merger talks, marking their second attempt in five years to combine.

Telecom

Consolidation elsewhere in the telecom industry is a key driver.

In the past decade, the seven regional Bells have dropped to three. Of the big three long-distance carriers, only one — Sprint — is still independent. SBC bought AT&T and named the new company AT&T. Verizon bought MCI.

The story is much the same in the U.S. wireless industry. The No. 1 and No. 2 players — Cingular and Verizon Wireless — are owned by AT&T and Verizon.

AT&T recently announced plans to buy BellSouth, which owns 40% of Cingular. Once that \$67 billion deal closes, AT&T will own all of Cingular.

Equipment makers such as Alcatel and Lucent are slowly being overshadowed by their far bigger customers. To maintain clout at the negotiating table, equipment makers need to get bigger fast.

"The bigger the (telecom) carriers become, the power shifts more to the customer," says Ping Zhao, a senior telecom analyst at CreditSights.

AT&T is the USA's biggest telecom with more than \$100 billion in annual revenue. Verizon is No. 2, with about \$90 billion in annual revenue.

Lucent, which for decades was owned by AT&T, pulled in \$9 billion last year. Alcatel, based in France, had revenue of about \$16 billion.

When Alcatel tried to buy Lucent before, the deal fell apart amid disagreements about control. Alcatel wanted management control and to fill key positions with its own people; Lucent objected.

Lucent's value has fallen sharply since then. Its shares closed at \$3.06 Friday, up 24 cents, or 8.5%.

What hasn't changed is Lucent's closeness with the U.S. telecom industry because of its roots in the old Bell System.

That might be the biggest draw for Alcatel, says George Calhoun, a professor of business and technology at the Stevens Institute of Technology. "They've been trying for 20 years to penetrate the U.S. market, and they really haven't done that."

SEC targets scams aimed at seniors

By Greg Farrell
USA TODAY

The Securities and Exchange Commission, which has had its share of dust-ups with state regulators in recent years, has launched a nationwide program to work with local regulators to combat what it sees as a rising wave of fraudulent investment scams being pitched to older Americans.

SEC Chairman Christopher Cox, in a speech Friday to the Consumer Federation of America, said that with baby boomers turning 60, protecting seniors from investment scams was an issue of mounting concern.

"The impending retirement of the baby boomers will mean that very soon, the vast majority of our nation's net worth will be in the hands of the newly retired," he said. "Scam artists will swarm like locusts over this increasingly vulnerable group."

Cox said that the SEC's regional offices would work closely with state and local law enforcement, sharing intelligence to identify which individuals or groups might be "preying" on seniors. Such efforts are already underway in California and Florida, Cox said, with a special emphasis on investment seminars that entice attendees with the promise of a free meal.

In recent years, more and more of these so-called free lunch seminars have been exposed as high-pressure sales pitches designed to get older Americans to put their assets into unsuitable investment programs, such as annuities. "The SEC's experience thus far tells us that these sales pitches are anything but 'free,'" Cox said. "They come at a very high cost."

The SEC's growing interest in the subject is good news, says Patricia Struck, head of the North American Securities Administrators Association.

"This is an area that will remain one of the hottest topics for the next several decades," says Struck, who also is Wisconsin Securities administrator. "You can't possibly have too many cops on the beat here."

Reflecting that concern, the Senate Committee on Aging plans to hold hearings on the matter this week.

Contributing: Kathy Chu