

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

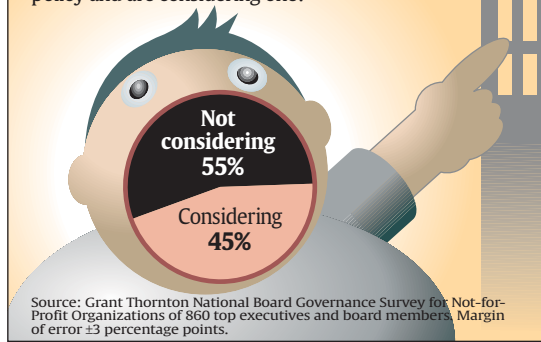
Interested in the latest tech ideas?

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.

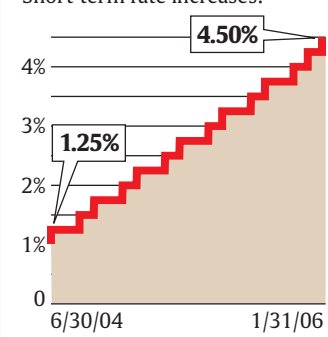
Investors in a financial market that bets on future Fed moves are pricing in an 80% chance that U.S. central bankers will raise rates again when they meet in May and then be done, according to Moody's Economy.com.

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."

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— 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."

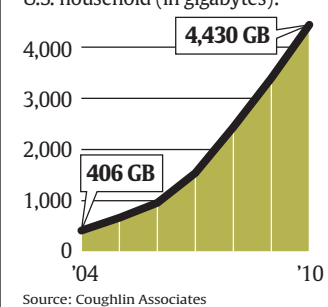
Two different coalitions of tech and entertainment companies are developing new types of DVDs that can hold far more data than today's. They're both expected to become widely available this summer, creating a war similar to the VHS-Betamax battles of the 1980s.

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.