

## Market Watch

Every Wednesday

### Chipmaker's stock rises 115% after IPO

By Matt Krantz  
USA TODAY

No amount of bad news could slow down Wall Street's interest Tuesday in the initial public offering of new-age computer-chip maker Transmeta.

Transmeta, which makes computer chips it says lets laptop computers' batteries last longer than Intel's, saw its shares soar \$24.25, or 115%, to \$45.25.

Such a strong debut came despite reports that both IBM and Compaq have just decided they won't yet use Transmeta's chips in their laptops.

Investors didn't seem to care. Transmeta instantly won a market value of \$5.8 billion, just shy of the \$7 billion value of chip giant Advanced Micro Devices.

The first-day pop came despite Transmeta raising the initial price of its 13 million-share IPO from an initial \$11-\$13 range to \$16-\$18, then to \$21.

"Getting this IPO off the ground sets the stage for the next generation of (computer chips)," says Irv De-graw of WorldFinanceNet.com.

But some are wondering if investors have once again gotten too excited, too early about a tech IPO.

For one thing, the first laptop to ship equipped with Transmeta's Crusoe chip, Sony's PictureBook, has a less-than-impressive 2½-hour battery life, according to a benchmark study by PC Magazine.

That test was flawed, says Transmeta spokesman Phillip Bergman, because it didn't repeat computing tasks, which is how the Crusoe saves power. NEC, he says, has released a Crusoe-powered laptop that has 11 hours of battery life.

Maybe so. But Transmeta also is going toe-to-toe with industry giant Intel, which has been making power-saving versions of its Pentium chips since 1998. "It's a matter of time" before Intel has computer chips that use even less power than Crusoe, says Hans Mosesmann, an analyst with Prudential.

Intel has already announced plans for a new version of its energy-saving StrongARM chip designed for handheld computers. Even the current StrongARM chip lets Hewlett-Packard's Jornada 820 run for about 10 hours on a single battery charge.

And so far, laptop buyers have been unwilling to give up power for extra battery life, something they'll be forced to do with Transmeta chips, says Tony Massimini of market researcher Semco. He adds that the processor isn't the biggest user of power in a laptop, but rather the screen, hard drive, then memory.

Some say the processor uses just 25% of a laptop's power, which would limit the benefit of the Crusoe.

With leading Japanese PC makers behind Transmeta, "it's an exciting technology," says Dan Scovel of Needham. "But they need to deliver on the promise."

#### IPO returns slip into tailspin

The 115% opening-day surge for Transmeta was especially impressive considering the market for initial public offerings has been practically comatose this fall.

Month	No. of IPOs	Average opening-day gain
January	20	100%
February	54	113%
March	52	79%
April	34	31%
May	22	30%
June	33	43%
July	44	58%
August	63	27%
September	23	46%
October	23	14%
November <sup>1</sup>	15	28%

Source: CompScan; 1-through Monday

By Keith Simmons, USA TODAY

#### Consumers rein in borrowing

By Dina Temple-Raston  
USA TODAY

Consumers were slower to pull out their credit cards and wary about borrowing money in September, the Federal Reserve reported Tuesday. Consumer borrowing rose \$6.4 billion in September, the smallest increase in five months, the Fed said.

The slowdown is hardly a surprise. Falling stock prices and waning consumer confidence were expected to take a bite out of borrowing. Revolving loans, which include credit cards, rose \$3.6 billion in September compared with a \$6.7 billion increase in August. Auto and other personal loans rose \$2.8 billion after jumping twice that much, \$5.6 billion, in August.

Fed policymakers have been urging consumers to go on a credit diet and are likely to welcome the news. They meet again Nov. 15 to review interest rate policy.

tems: A Winning Approach to Robotics. In fact, Stone tells me, the study of intelligence.

# Firestone still can't pin down cause

## Non-recalled tires may share flaw

By James R. Healey  
USA TODAY

Three months after it recalled millions of tires for a potentially deadly tread defect, Bridgestone/Firestone says it still isn't sure what caused the problem and can't promise the fault doesn't exist in other tires.

Indeed, sizes and types of tires that weren't recalled are responsible for a significant number of claims against the company, court documents show.

Bridgestone/Firestone recalled 6.5 million ATX and Wilderness AT tires, size P235/75R-15, Aug. 9 because their treads could suddenly peel and cause accidents. Most of the tires were original equipment on Ford Explorer sport-

utility vehicles. The tiremaker has so far replaced 4.8 million of the tires.

CEO John Lampe, in a lawsuit deposition Oct. 26, said that he couldn't guarantee that tread peeling won't happen on non-recalled versions of ATX and Wilderness tires.

In another case, Firestone provided a list of 2,700 lawsuits and personal-injury and property-damage claims involving tread problems, blowouts and unknown causes. A USA TODAY analysis shows that 24% of the tires were Firehawk, Widetrack Radial Baja, Wilderness HT and other models not recalled, as well as non-recalled sizes of ATX and Wilderness AT tires.

The tire company said this week that it "continues to search for the cause or causes" of tread separation. Meantime, it said it suspects a problem in the tires' design; manufacturing problems at its Decatur, Ill., factory; and some mysterious fault in the Explorer.

"Our technical teams believe the performance issue with the tire ultimately will be the cumulative effect of tire design, tire components and the interaction of the tire with the vehicle," Lampe said in the statement.

Ford Motor says the only reason so many Explorers are involved in tire-related accidents is because so many Explorers are equipped with the Firestone ATX and Wilderness AT tires.

Bridgestone/Firestone also continues to question Ford's recommended 26 pounds per square inch (psi) tire pressure. The tire company recommends 30.

"One thing we're doing is looking hard at inflation pressure, because we know for sure that does play a role in the strength of the tires," says Greer Tidwell, a director in Bridgestone/Firestone's tire manufacturing division.

Ford says the Explorer rides smoother and is more stable at 26 psi than at higher pressures, but now accepts a

range of 26-30 psi.

Tidwell says 3.2% of Explorers checked at auto auctions were at 19 psi or lower. He called that a "very significant" percentage.

A March 1995 bulletin from the Rubber Manufacturers Association, submitted by Bridgestone/Firestone in another lawsuit, defines underinflation as "80% or less of normal operating inflation pressure." In the case of Ford's 26 psi, underinflation would be 20.8 psi using that definition.

In the October deposition, Lampe downplayed the significance of 26 psi. Bridgestone/Firestone did no tests at that pressure until Ford requested it in 1998, he said.

"I don't believe the test results run at 26 psi on a Ford Explorer would prove anything."

Contributing: Earle Eldridge and Sara Nathan

# Cadillac rejoins race for No. 1 in luxury

## Taste for trucks scrambles final heat

By James R. Healey  
USA TODAY

The Americans are back in the race to be the best-selling automotive luxury brand, just a year after it appeared that the crown would go to Lexus or Mercedes-Benz from now on.

And the surprisingly close four-way battle is because of an appetite for the once unthinkable — luxury trucks. A serious part of the mix only since 1998, they've quickly moved from the outskirts to the luxury mainstream, helping boost some brands.

That surprised even some who thought they saw it coming. "We went there because the market shifted, and we wanted to take advantage of it," says Mike Slagter, Lexus sales manager.

Even so, "sales of RX 300 far exceeded our initial expectations," he says. Mostly because of RX 300, a \$35,000 sport-utility wagon, loosely based on Toyota Camry, trucks are 52% of Lexus sales this year.

Slagter says the mix will shift as Lexus rolls out new car models, such as the LS 300 and LS 430 sedans. In the meantime, RX 300 is the most popular Lexus, selling twice as fast as the next-best-selling ES 300 sedan. Like similar upscale models, RX 300 is classed a truck by the government and its maker.

"Lexus, right or wrong, has really turned into the RX 300 company. It was the right one at the right time," says Jim Hall, industry analyst at consulting and research firm AutoPacific. "It has a lot of the attributes of a — dare I use the m-word? — minivan. And nobody has a direct rival," he says.

The spread between No. 1 luxury brand Mercedes-Benz and No. 4 Cadillac was just 7,075 sales through October, according to industry tracker Autodata.



Mercedes-Benz M-Class: One of every four Mercedes sales, it's the brand's best seller.



Lexus RX 300: Sales "far exceeded" initial expectations.



Lincoln Blackwood: "Luxury pickup to end all luxury pickups."

**Fancy car, truck sales**  
Sales of luxury trucks have soared while luxury car sales remain steady.

	Cars	Trucks
1996	7,528	582,461
1997	48,185	643,135
1998	143,277	684,478
1999	198,897	686,400
2000	200,728	613,753

1 — Through October  
Source: Autodata  
By Elizabeth Wing, USA TODAY

**Cadillac Escalade:** One of every eight Cadillac sales.



BMW X5: A big threat if more can be built in South Carolina.

An aggressive sales push by any of the four this month and next, combined with stumbles by others, could scramble the finishing order.

Through October, Mercedes sold 169,133 vehicles; Lexus, 166,992; Lincoln, 165,146; Cadillac, 162,058, Autodata reports.

BMW, once a niche brand, is a respectable No. 5 at 151,152. It will be a bigger threat if its South Carolina factory can build more X5 sport-utility vehicles.

Without its M-Class SUV, Mercedes would drop from No. 1 to also-ran. The M is one of every four Mercedes sales, making it the brand's best seller, slightly ahead of the E-Class midsize sedan.

The Navigator SUV is one of every five Lincoln sales. Escalade SUV is one of every eight Cadillac sales.

Demand for SUVs has been so strong outside the luxury realm that "prices on mainstream SUVs got high enough

that 'they became' a luxury commodity," giving luxury brands entrée, Slagter says.

Future models give Lincoln and Cadillac a shot at the top among luxury brands. Caddy has a car-based LAV, for "lifestyle activity vehicle," coming as a 2003 model, Hall says. In about a year, Lincoln should have a fancy version of the redesigned Ford Explorer, he says. And watch for Lincoln to go after RX 300 with an SUV loosely based on the Ford Es-

cape, Hall says.

In the meantime, hot items will be \$50,000-plus, crew-cab, short-bed pickups. Lincoln's is the Blackwood, "the luxury pickup to end all luxury pickups," Hall says. A cross between Navigator and Ford F-Series Super Crew pickup, it will be available in the spring. Caddy gets a version of the Suburban-based Chevrolet Avalanche in a year. It is expected to be called Escalade EXT and priced near Blackwood.

Lincoln tested Blackwood at a California consumer clinic last summer. "One guy came in with blue jeans, a Harley T-shirt, a beer gut. He said, 'I'm not leaving here today until I order two.' Another guy who'd been driving a BMW 5-Series said, 'Wow, I've got to have one,'" recounts Lincoln spokesman Jim Trainor. "The appeal was all over the place."

"The market is broad," Slagter agrees.

And deep, Hall believes: "A Blackwood is going to crack a buyer 50 grand or more. Do you think he's going to care if gas goes up a dollar a gallon?"

# Scientists' GOOOAL: Use soccer to help robots communicate

Around these parts — a radius of a few blocks from my house — a number of folks turn out on Saturdays to see The Light.

ic Soccer. In fact, Stone tells me, the study of intelligence.

municate and learn from each other. "They'll have to be able to interact," Stone says. "They're not all



teammates. The robots are getting better quickly, but it's a challenge. The medium-size robots, for in-