SHORT CIRCUITS

Java brewing storm

As the markets look nervously on, Bill Gates' troubles could be only beginning. The real threat is likely to come from the claims courts, not from Judge Jackson.

A break-up of Microsoft will only create a larger number of companies which still control the software on almost all of the world's PCs. Any disciples of competition could well conclude that the same will happen to the Baby-Bills as happened to the Baby Bells when the US national phone company was broken up: a tighter grip on the market between them than Ma Bell could ever have dreamed of.

News broke this week that Sun Microsystems is likely to join the ranks of companies queueing up to sue Microsoft, this time over its mishandling of Sun's Java language.

Anti-trust judge Jackson found that Microsoft used "subterfuge and barter" to induce developers to customise Java for Windows and "impeded Java's progress".

With the weight of Jackson's harshly worded judgement, such expensive private lawsuits could be the real test of Microsoft's strength, and wealth.

Enigma mystery

Enigma, the famous German code machine, the cracking of which is said to have led to the invention of modern computing, is proving an enduring source of intrigue.

Stolen on 1 April, the machine is still missing, despite the capture and charge of an Englishman last week. The 50-year-old man has been released on bail but no details of his charges or identity have been released.

The machine was stolen in broad daylight from the museum at Bletchley Park, which acted as the British government's centre of cryptography during the Second World War. The code used by the machine was broken during the war, which allowed the interception of German intelligence, thought to be a crucial factor in the victory of the Allied forces.

Having been at the centre of one of last century's greatest military and intellectual tussles, the machine now seems likely to suffer at the hands of English spring showers. "If it has been left outside it may quickly deteriorate in the British weather," said the museum trust's director, Christine Large.

Net user profile

Nielsen/Netratings is due to release its internet usage research by the end of the month, and the unseen results have already been bought by RTE Online, IMAP and the Institute of Advertising Practitioners of Ireland (IAPI).

The research has been compiled by monitoring the usage of 3,000 people in Ireland and will represent the most extensive and most trusted data on usage patterns yet available in the country. Whether website publishers, often optimistic with their own viewing figures, will be as happy to see audited usage figures as advertisers will be remains to be seen.

Car communications

Traffic jams need never be a bore again with the new breed of motor media centre being released in the US by General Motors. Starting with a built-in hands-free mobile phone, the company is introducing a series of gadgets which will connect your car to the internet and phone networks, and even read out sports results to you.

"We think every GM vehicle deserves a dial tone," said GM e-business representative Mark Hogan. "There's great potential – 50% to 70% of all cellular minutes are completed in the vehicle."

A Virtual Advisor will read emails that have been downloaded, and will also be able to read out stock quotes and sports results.

By the end of the year, the company expects one million cars to have these functions, though they did not say whether or not the car will come ready fitted with a flashing red light at the front of the bonnet.

Get rich on the bus

Anyone who prefers public transport to private will be able to earn their fortunes while sitting on the bus. Macalla Software launched its new product last week in London which makes it possible for financial transactions to take place on mobile phones.

WAP phones will use the Mobility product to receive and send personal data and transactions, which can also be beamed to other personal devices like PDAs and pagers.

CEO of the Dublin firm Niall O'Cleirigh said the software gives "the ability to view personalised [real-time] information and to execute on it immediately anytime, regardless of location".

Net libel test case

It used to be that you told the teacher on another kid, but nothing remains unchanged by the internet. In one university in San Francisco, students tell on lecturers for all sorts of bad behaviour – only some of it involving academic failings.

This week sees a law suit against the founder of a site that allowed students to get their own back on lecturers. www.teacherreview.com. Scathing attacks on the teaching and academic qualities of Daniel Curzon Brown have prompted him to take the owner of the site to court.

Like the Demon Internet case in the UK, where an ISP settled out of court for libel, this is being seen as a test case in establishing who has responsibility for libellous or offensive material on the internet.

Stop worrying about IT

ASPs will allow firms to outsource IT functions. Matthew Magee reports

AMONGST all the claims made about Information Technology (IT), perhaps the most impressive is that now it seems to have solved one of its own major difficulties in business environments.

It is a commonplace of modern business life that the IT department causes a business endless problems, and that the rest of the company is the root of most of an IT department's problems. Stories of communication problems, resourcing problems, difficulties with training of staff and a lack of understanding between a business and its IT department are common across most companies.

A solution has emerged that allows computer networks to take the strain and outsources all the major IT functions, leaving the company to focus on its core business.

Application Service Providers (ASPs) are companies that will take care of your IT management from anywhere in the world, connected to your office using the internet. A relatively new phenomenon in Irish business, ASPs are making bold claims about the benefits to business, both in terms of convenience and in saved resources.

"ASPs take the applications off the site of the end user and provide everything from business consulting to IT consulting to applications hosting to security," said Cameron Chell, a US entrepreneur who was the founding president of the ASP Industry Consortium.

The Consortium published research this week which found that two of Europe's biggest economies, the UK and Germany, will be powered by ASPs in 18 months' time. Two thirds of companies in each market will be purchasing software from ASPs by the middle of next year, according to the research.
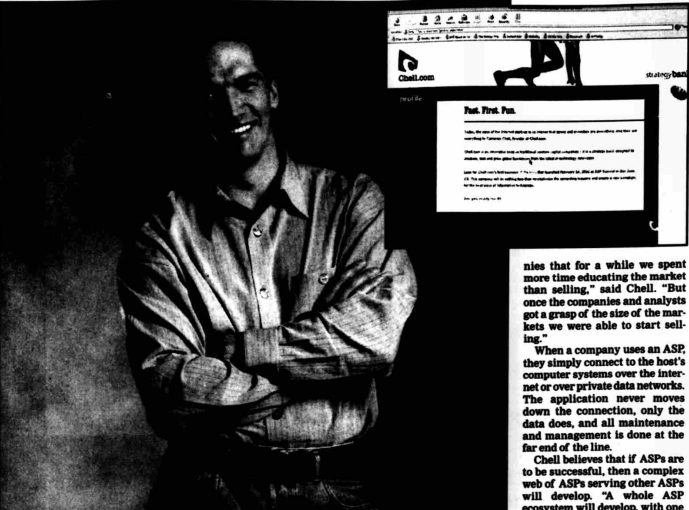
The aim of ASPs is to eliminate the need for every company to have an IT department in-house, and to offer the same functions on a contracted basis to many firms, offering economies of scale.

"If I build an infrastructure, I have certain baseline costs," said Chell. "If I spread that over 200 users, there is a certain cost per user. If that is spread between two thousand users, then I can provide it at a lower cost to users. If each company had to build its own software infrastructures, then the cost would be prohibitive."

Advocates of ASPs also stress that they give businesses, regardless of size, access to the most up-to-date software for the same fee, rather than forcing them to stick with one solution for three years because they have already paid for it.

"ASPs should be like phone companies – a company of 50 people has as sophisticated a phone system as a multinational," said Chell. "Now even small and medium-sized companies can have access to the latest software."

ASPs themselves hope to take the strain of managing IT systems off a firm so that it can focus on its business processes rather than its internal operations. "There is a requirement that a business focus its key resources – capital and people – on building the business, not on building an applications infrastructure," said Joe Flynn, managing director of Irish ASP iFusion. "Companies, especially start-ups, want to focus on their growing business but it typically takes five to nine months to set up an applications infrastructure."

The market in Ireland is small and ASPs such as E-Host or the Horizon-owned iFusion are aware that they first have to educate the market before they sell to it.

"The concept seems obvious when it clicks," said E-Host's Robbie O'Brien. "But trying to understand the direction it's coming from is the problem people have."

It is an experience Chell went through in the US two years ago. "It is such a departure for compa-

Cameron Chell of the ASP Industry Consortium, and INSET, Chell's website

> 'The concept seems obvious when it clicks'

nies that for a while we spent more time educating the market than selling," said Chell. "But once the companies and analysts got a grasp of the size of the market we were able to start selling."

When a company uses an ASP, they simply connect to the host's computer systems over the internet or over private data networks. The application never moves down the connection, only the data does, and all maintenance and management is done at the far end of the line.

Chell believes that if ASPs are to be successful, then a complex web of ASPs serving other ASPs will develop. "A whole ASP ecosystem will develop, with one ASP doing billing, one doing the metering, another doing the security, and the user will just connect to one ASP at the front end, providing all these services."

That web depends on a critical mass of companies understanding and implementing ASPs, and it also depends on IT managers participating in the outsourcing of their own functions. If the ASP consortium's figures are accurate, it seems this is exactly what is going to happen, and the days of shrink-wrapped software may well be over.

Is technology to blame for market jitters?

This time, critics of internet stock hype may be justified

THE world's stock markets have faced a week of turmoil, and everybody is blaming computers and the internet. Most of the world's evils have, at some stage, been blamed on the internet, and now global financial collapse is next on the list. This time, the critics may be right.

The case for the defence does not look good. Firstly, it is technology stocks that have been grossly over-valued, causing instability in the markets as distortions in demand valued potential above earnings, and predictions above profits.

Secondly, much of this demand has come from a new breed of investors who have sudden access to cheap trading. They have followed hype with their new injections of cash rather than considered independent research.

Unfortunately for the technology corner, they used internet technologies to make their investments through execution-only broking websites like E*Trade and Charles Schwab.

Thirdly, the web has been the agent of a massive market distortion that has been felt through online and offline trading. Through share-trading bulletin boards, the web has allowed the shady self-interested tip-offs of hucksters to reach far beyond the geographical limits of a whisper.

Now anonymous tipsters can spread lies about a company's prospects, bolstering a share's value for just long enough to sell out and move on. The odd tip that comes good only serves to boost the credibility of bulletin boards.

"The bulletin boards have had a big interference with share prices, especially with Net stocks," said Babu Shah, who advises consumers on how to invest online without using traditional stockbrokers. "People who don't understand the market in much depth buy on rumours, and the majority of people don't know the stock market."

'THE WEB HAS BEEN THE AGENT OF A MASSIVE MARKET DISTORTION'

"You are better off looking at fundamentals and using research from a broker," said Jane Riordan of NCB Stockbrokers. NCB has just made all its information on stocks available online to its retail customers. That information is the work of full-time analysts and is not available to investors who don't have an account with a broker.

"You are not going to find a lot of firms making their information available to people who are not paying a premium," she said. But for many, the lure of trading without paying that premium has been too great.

Ironically, those that cause the boom are the worst hit by the bust. Part time investors "are the ones getting hurt this week," said Shah. "They tended to make simpler investments using more straightforward strategies." Without the complex strategies employed by brokers to hedge bets, those part-time investors were the ones to lose out, said Shah.

Fexco is a broker which takes a lower premium than others for execution-only trades, and the company's Barry O'Sullivan believes the analysis provided is not necessary.

"If it's my money, then I will decide whether or not to buy and sell a share," he said. O'Sullivan believes investors are perfectly capable of making decisions from information gleaned from word of mouth and newspaper reports.

So was it all technology's fault? "Technology is a double-edged sword," said Shah. "It brings more people to invest without the knowledge of the markets, but even after this week there will be more investors left than before, which can't be bad."

With the Irish Stock Exchange going digital over the summer and several execution-only online trading facilities setting up, whatever effect technology really had is about to grow even more.

Techs come in for the code

Cardbase Technologies is going to Russia to recruit

DURING the Cold War it used to take the combined intelligence forces of the western world to convince code breakers to leave the KGB and work in the west.

Now the recruitment war in Dublin IT firms has forced one company to Russia to bring coders back in from the cold.

"Cryptography is something we have to be very strong on and apparently Russia has a strong skill set in that area," said Cormac Shaw of Cardbase Technologies, a smart card manufacturer. "Russia has a strong reputation with a good science base, a good space programme and a good spy network, but I don't think they'll be spies."

Shaw admitted that he didn't know where the interviewees worked previously, but he will find out on the trip in three weeks. Cardbase needs to find 50 highly qualified staff for a new research centre at its Irish headquarters in Dublin.

Finding those 50 developers is going to pose problems. "We're not confident about finding those people in Dublin, so what we are trying to do is tell people that this technology is leading edge, and they will enjoy the buzz," said Shaw.

The company specialises in the development of software for and large scale manufacture of smart cards. The cards can prove the identity of a computer user, can encode information for security and can act as a basis for conducting transactions over computer networks.

The research centre will focus on encryption and security and Cardbase is working with security firm Baltimore on building a product in a joint venture.

Shaw believes the smart card market will be boosted by the fact that the latest release of beleaguered software giant Microsoft's Windows software has a facility for the use of smart cards.

Ultimately, he said, that facility could eliminate software piracy and help Microsoft ensure that everybody using its software has paid for it.

"Microsoft is pretty clever to include smart card functionality; down the road it may link licences to smart cards," said Shaw. "We could well see it issue a smart card with its products."

Cardbase is banking on the fact that there are many uses for digital smart cards in any number of industries. The correct identification of users and merchants could help change online retail models entirely.

"If the website can be sure who you are, then your ordering of a product could in fact trigger the production process automatically,

Cormac Shaw: 'We're not confident about finding those people in Dublin'

and then the product is sent out to you," said Shaw.

He believes, though, that business-to-consumer applications that are some time away. The corporate business-to-business sector is, he said, more likely to adopt smart cards first.

"For consumers, smart cards won't really take off until someone like Visa, which is used to dealing with consumers, adopts them."

Matthew Magee

Broadband revolution anticipated

NOBODY is looking forward to the future of wireless and broadband services more than Rob Glaser, chief executive of US firm Real Networks.

When the wireless and broadband infrastructure is in place, he predicts that his company's audio and video players will be deployed on a whole new generation of cable networks, set-tops, digital audio players and wireless devices.

"Over time, the impact of everything that we're doing will have the same impact on traditional broadcast and cable that cable had on traditional broadcast," Glaser said last week.

He predicted that, 15 years from now, a third of the viewing time in the US will be spent on programming delivered purely over broadband infrastructures. Glaser expects the number of broadband users to grow to 27 million by 2003. To date, there are about six million broadband users in America. And when this massive broadband infrastructure is in place, Glaser said, programming and content will begin to thrive.

Glaser also talked about some of the new types of programming that will be possible via the internet, though RealNetworks will not get involved in that side of the business.

"We're not on a path to be an original creator of content in terms of a news bureau, signing bands, making movies," Glaser said. "We're more likely to stay pure in terms of our business, but have deeper partnerships that come out of this heightened level of interest that the Time/AOL merger has catalysed."

One industry that will be particularly impacted by the transition to broadband is cable TV, Glaser said, set-top boxes will give web companies an opportunity to work their way into the cable and TV world.

"These set-top boxes won't have the same ease of upgradability that PCs have, but hopefully the flip side of that is that people won't have to reboot their televisions as often as they have to reboot Windows," he said.