
Market Roundup

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Sun Shines on Google... or the Other Way Around

By *Jim Balderston*

Sun Microsystems and Google announced a strategic partnership this week in which the two companies will distribute each other's technology. Sun has agreed to include the Google Toolbar in its Java development kit download. Google will gain access to Sun's OpenOffice suite of desktop productivity applications and will become more actively involved in Sun's OpenSolaris project. Google has also agreed to increase the number of Sun servers it purchases but officials from both companies declined to comment on any specific numbers or models. The companies said the code-sharing process will begin in the next thirty days and that the companies planned future announcements.

Rumors to the effect of this announcement had been floating around Silicon Valley for days before the actual announcement was made, leading to some frenzied speculation that a Very Big Deal was to be announced between the two companies. The relative vagueness of the intent of the partnership apparently left a number of observers less than impressed. In fact, many were looking for a deal where the two companies announced a new "Microsoft-killer" alliance that would allow Google to offer desktop applications as part of its growing portfolio of Web services. Officials from both companies pointedly refused to take such a stance.

While Sun apparently gets the best of the deal initially with a commitment from Google to buy more Sun hardware, we suspect the long-range advantage to this deal will be with Google. Google is already making strong headway into the desktop-user's mind set with Gmail, IM and talk, storage, and the like. Why should the company try to press its advantage and go for some level of desktop application provision? While this week's announcement hinted at such a possibility, we suspect that Google is keeping its powder dry for a more substantive announcement of the availability of OpenOffice as a fully fledged and Google-branded offering. (Will they call it GopenGoffice? Or just Goffice? Probably not Gooffice.) No doubt such a development is causing concern in Redmond, as the company moves to roll out its latest version of the Windows OS and the Office productivity suite at a time when users are increasingly communicating with others using tools not contained in the Office suite, such as IM or text messaging. About a decade ago, a little company called Netscape argued that the Web browser would become the gateway to all the application functions a user would need, removing the need for office productivity tools like those offered by Microsoft. Perhaps Google can deliver on the early (but at the time misguided) concept. Stay tuned.

More Power for SMBs

By *Jim Balderston*

IBM has introduced a new line of servers featuring the POWER5+ microprocessors that the company says have the best benchmark results of any entry-level UNIX or Linux servers. The p5 550Q is offers a dual quad core module, and other versions feature one-, two-, and four-way server options. The new servers are available with UNIX, Red Hat Linux, SUSE Linux or AIX 5L. Each of the servers provides virtualization capability allowing for multiple operating environments on each server. Low-end server pricing with the new chips starts at \$3,684; for

the quad core models, pricing starts at \$19,048. IBM said the new products are designed for the SMB market specifically and will allow SMBs to perform computing intensive applications with greater ease.

A good part of this announcement focused on the speeds of the chips in various configurations, noting that in some cases the benchmark tests provided the best results ever recorded. While we understand that computing speeds are of interest in the long run, we are not all that excited to hear about the latest benchmarks. We suspect most customers would not be all that excited either. Benchmark tests compare largely in an apples-to-apples environment, but individual enterprise deployments rarely fit neatly into such categories.

But we are excited about the fact that IBM is extending its chip development and deployment efforts to the SMB market. We suspect that customers are going to be pleased as well, not so much because of speeds and feeds as much as the opportunities that such powerful systems offer. SMBs of all sizes are facing various IT challenges, including the need to consolidate servers and improve server utilization. Given the fact that most SMBs have limited inhouse IT expertise, the ability to consolidate and manage multiple applications running on various operating systems into a single server offers improved management and simplified maintenance without requiring more bodies scurrying around the server room. IBM has been making a very good show at catering to the SMB market by offering Express products designed and priced for SMBs. The fact the company is pushing forward specific chipsets to the same market is yet another indication that IBM is very serious about the SMB opportunity.

New Tech for Aging Workers

By Susan Dietz

IBM announced this week that it has developed adaptive technology aimed at making workers with age-related disabilities more productive. The technologies include programs to make the text on monitors larger, make the keyboard easier to use, and provide a text-to-talk program that has the computer read text aloud. The software technologies are available for download via IBM's alphaWorks Web site, in a new accessibility section. Additionally, IBM is encouraging software developers worldwide to develop applications that include accessibility features. Developers can access an online resource from IBM to help them build adaptive technologies into their new designs.

Accessible technology isn't new, but it is becoming more important as the baby boomers that make up a large part of the workforce are aging. Many older workers do not want to retire, but find it difficult to work with computers while dealing with problems such as declining eyesight and the beginnings of arthritis. Adaptive technologies will enable those who wish to put off retirement, or even switch careers, to keep their productivity at the same or elevated levels. As vendors and others in the IT community recognize this growing need, adaptive technologies are likely to become much more common and will most likely enable companies to keep highly valuable and skilled employees from being marginalized not from any lack of experience or intelligence about their duties, but from simple physical disabilities. Some technologies are well positioned to even have the effect of bringing other, non-traditional people into the workforce: a few adaptive technology companies have already developed refreshable screens that raise text in Braille.

When an adaptive measure is developed, it often proves to be a boon to more people than those in the target market. Technologies get hijacked by those who find them useful, often to the benefit of all. A broader audience than just those who are eyesight-impaired would probably find it extremely valuable and efficient for the computer to read aloud their email; for example, while they are doing other tasks such as filing or — for those with home offices — making lunch or doing laundry. Multitasking increases productivity and efficiency, and adaptive technologies increase a worker's ability to multitask. This is good news for everyone, not just for those who need the technologies.

(Mostly) Legal Taxation

By Susan Dietz

Eighteen states have signed an agreement to implement a voluntary sales tax on internet sales. Those states are Arkansas, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Nebraska, New Jersey, North Carolina, North

Dakota, Ohio, Oklahoma, South Dakota, Tennessee, and, Utah, West Virginia, and Wyoming. Nevada is scheduled to join the alliance in January.

In reading the list of states that have signed the agreement, one can't help noticing that with the possible exception of New Jersey, these are for the most part rural, economically-challenged areas. With the flow of federal dollars drying up, states are under more pressure to generate their own revenue streams in order to finance needed services, and so have been playing around with different methods of doing this. Casinos and lotteries may help a bit, but they don't work well in every population. Utah, especially, has a faith-based constituency that is anti-gambling. These pressures are real and will increase; forcing state legislatures to become creative in their revenue generating schemes and search for things that are not currently being taxed. Internet sales are one of those things. However, it is unconstitutional for individual states to form alliances relating to interstate commerce. Therefore, the taxation agreement is a voluntary measure and not a mandatory one.

A few years ago, Congress voted down a bill that would alter the basis of the Supreme Court ruling that holds tax on internet sales in much the same way as on catalog sales. The court ruled that without an economic nexus in a state, a company's sales were beyond the reach of state revenue schemes. One of their reasons, perhaps, was a fear of slaying the goose that lays the golden egg. However, catalog sales weren't largely negatively affected by the taxation ruling, and in fact some benefited. We feel that Internet sales largely won't be negatively affected, either. While several states level use taxes on sales made out of state that are subsequently imported via the post or ground delivery, the collection of these taxes have been largely voluntary. Nevertheless, for many it is much too convenient to comparison shop online, better deals are sometimes found on Web sites rather than at the local mall, and one can shop in pajamas at 2:00am without being arrested. The advantages of Internet sales far outweigh any niggling annoyances of paying a sales tax. Just as with shipping and handling charges consumers may grumble, but their buying habits are unlikely to change in any material way. This is most likely a testing area, a possible way to test the waters on a changed taxation and states' rights precedent in an attempt to convince Congress to legislate away the 1992 court ruling. However, the voluntary nature of collecting the sales tax is unlikely to be an accurate measure of how large a revenue stream would be generated in a mandatory environment. It will be interesting to see exactly how many will pony up for an optional tax.