

Fortune 500 Sending Tech Jobs Overseas

About 200 of the Fortune 500 US companies now ship software work and high tech engineering to countries such as India, China, Ireland and the Philippines.



Daniel W. Roberts
President

More are to follow according to Mercury News Service.

The list of companies exporting these jobs reads like a corporate "Who's Who" list with such names as Target, Visa International, Gap, Boeing, Citigroup, Nordstrom, Bank of America and of course Silicon Valley firms such as Oracle, Cisco Systems, Hewlett-Packard and Microsoft.

Some say that this shift has more to do with aggressive marketing by these countries than a United States market slowdown. Engineering groups are asking Congress to investigate whether the offshore trend, combined with US companies importing foreign engineers on H-1B visas, is partly to blame for the high unemployment rate among US engineers.

Even the State of California has contracts worth \$76.6 million with five tech service firms that outsource work overseas according to the state's Department of General Services. Adding fuel to the charges, San Francisco brokerage Charles Schwab last year moved part

of its information technology division to a contractor in India, while laying off 25 percent company-wide in the US.

Back-office work is shifting overseas as well. Customer service departments and payroll processing is expected to surge by 60 percent next year to overseas. A software engineer fresh from college might earn \$5,000 a year in India, compared to about \$50,000 in the United States.

Meanwhile, the jobless rate here in the US among engineers doubled in the second quarter from 2 percent to 4 percent. Some unemployed engineers are expressing outrage at the shift.

While other US firms are just beginning to ship these jobs overseas, the biggest companies are accelerating the buildup of overseas staff they've had for years.

- Oracle is opening a new software center in Beijing and is adding 2,000 engineers for applications development work in Bangalore and Hyderabad in India. This move comes as Oracle cuts 200 US software applications development jobs in the US.
- Santa Clara chip giant Intel is increasing staff in Bangalore and has joined Wipro Technologies, Satyam Computer Services and PriceWaterhouseCoopers to set up three software research laboratories there.
- Sun Microsystems, leading maker of Unix-based servers, is outsourcing some of its product development to India although the Santa Clara Company says it's a very small portion.

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EUROPE:

Indian Software Giants Bid For IBM Business

American companies such as IBM, Accenture Ltd. and Electronic Data Systems are finding themselves bidding for IT business with India's top software firms: Infosys Technologies Ltd., Wipro Ltd., Tata Consultancy Services and Satyam Computer Services.

They are ramping up with hardware-software IT integration and are going head to head with the big American firms for coveted contracts. American firms are responding. Indian firms are in the process of transforming themselves into very serious competitors, says C. Srinivasan, managing director of A.T. Kearney in India.

Other potential customers in the US include Bank of America Corp., Telefon AB L. M. Ericsson, General Electric Co. and Porsche AG. — all of which have already engaged these and other Indian firms for a variety for IT work.

As global IT giants struggle, India's top software firms are finding new ways to grow at a rapid pace, sometimes at the expense of companies many times their size.

Infosys Technologies Ltd.'s revenue was up 35 percent and profits up 12 percent year to date according a recent *Wall Street Journal* report. These figures dwarf Texas-based Electronic Data Systems that posted a 3 percent decline during the same period.

The *Wall Street Journal* reported that the Indian firms will even run part of a company's IT department, taking over staff and sending the jobs to India. The WSJ went on to say that they are still the "world's pre-eminent code-crunchers, but now they are including hardware-software integration and call centers in the corporate stable of resources.

Since the Internet bubble burst in early 2000, it has been survival of the fittest in India's hubs of Bangalore, Hyderabad and Madras. The trend now is for large glo-

bal corporations to cut back IT spending and there seem to be no end in sight.

While that has left many of India's small and midsize tech firms in trouble, the bigger players are poised to take advantage of the cost-cutting drives sweeping through boardrooms in the USA and Europe.

Sales from such work jumped 64 percent in the year ended in March, according to India's national Association of Software and Service Companies.

European Mobile-Phone Makers Strive To Better Qualcomm Inc. By Lower Licensing Fees In China

European wireless equipment manufacturers have agreed to lower licensing fees to China in a bid to persuade China and other developing nations to adopt existing European standards.

Nokia Corp., Telefon AB L.M. Ericsson and Siemens AG together with Japanese mobile phone giant NTT DoCoMo Inc., have agreed to go head-to-head against San Diego-based Qualcomm.

The *Wall Street Journal* reported early in November that this lowering of licensing fees "should mean that anyone manufacturing wireless phones and network infrastructure compatible with Europe's technology will pay less than 10 percent of the sale price of the product royalties to patent holders." Some insiders had estimated that the figure would be as high as 25 percent.

Wideband Code Division Multiple Access (WCDMA) is the European standard. Ericsson and Nokia have invested heavily in WCDMA and can afford to "throw away some licensing revenues" the *Wall Street Journal* reported, in an effort to recapture the funds in emerging markets at a later date.

Nokia and Ericsson claim to hold more than 50 percent of the WCDMA patents. Qualcomm of San Diego and InterDigital Communications Corp., of Pennsylva-

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nia rely heavily on licensing revenue and are unlikely to support Nokia's push to drive down royalty rates.

Experts say that more than 100 companies have filed WCDMA patents as they try to improve their negotiating position in licensing arrangements.

INDIA:

Microsoft Spends \$400 Million To Fight Linux Use

Hoping to starve off an increased Linux use in India, Microsoft Chairman Bill Gates announced a \$400 million investment in education there. The three-year initiative—part philanthropy and part business—will seek to instill the Microsoft Windows operating system over Linux.

India's software has bucked a global slowdown to post high growth in revenue and employment. Last year, exports grew 29 percent.

Gates said that about \$20 million will go toward training teachers and students on computers at government-run schools. Microsoft is said to be trying to reach 80,000 teachers and 3.5 million students there.

Microsoft also plans to open 10 information technology-training centers. Gates sought to downplay India's enthusiasm for the open-source Linux operating system and suggested during the news conference that Microsoft's Windows system remains far ahead of its competition.

JAPAN:

Seiko Boosts Profit

Profitability for Seiko of Japan improved in the fiscal first half of 2002 with the company posting a net profit of 7.09 billion yen (\$59.31 million) compared to last year's loss of 2.09 billion yen.

The profits came after a recovery in sales, cost cuts

and layoffs. Seiko shares have risen 4.5 percent in recent months.

CHINA:

AOL Time Warner Tests Pay Internet

More than a year after announcing plans to enter China, AOL Time Warner quietly began testing a pay Internet service there. The service, in the world's most populous nation, became a joint venture with China's biggest computer maker, Legend Group.

HONG KONG:

Netcom Group Buying Asia Global for \$270 Million

A consortium led by China Netcom Corp. is purchasing Asian Global Crossing Ltd. This is the first purchase of a major overseas telecommunications asset by a Chinese company.

Under the terms, Newbridge Capital Ltd. and Softbank Asia Infrastructure Fund would invest \$120 million in cash and provide loans of more than \$150 million to the troubled company.

The deal, which requires the approval of the US bankruptcy courts, aims to restructure more than \$750 million in debt owed by Asia Global Crossing.

From Roberts & Ryan

We thank our good clients for their support during this year and looking forward to better markets in the future.

Seasons Greetings to All!

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This is a timely newsletter for our institutional clients. The information herein has been assembled with the utmost attention to detail, however, as with all research, the accuracy cannot be guaranteed.

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