

WA offers incentives to woo firms

Rachel Lebihan

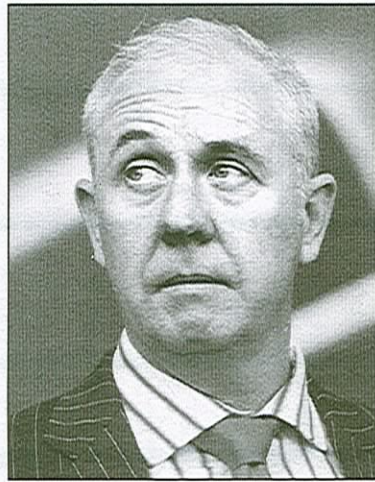
The West Australian government has adopted an aggressive incentives strategy to lure technology companies to the state as it aims to double IT turnover to about \$13 billion in the next four years.

Attractive leasing agreements would be the most likely sweetener to take the edge off relocation costs and help attract companies that wanted to avoid the expense of building new facilities in the state.

Other financial incentives would not be off-limits and the Minister for Energy, Science and Innovation, Francis Logan, said the government would use "whatever incentives we need" to use to encourage companies to relocate to Western Australia.

The no holds barred approach comes as the state's resources boom drives huge demand for technology and related services, causing companies to increase their presence in the state and open new facilities.

"There are a whole series of things we could look at in terms of assisting companies [that] move to Western Australia," Mr Logan said. He said the same type of incen-



Francis Logan . . . no holds barred.

tives that were provided to defence outfit Raytheon would be considered.

Raytheon landed a total of \$3 million in 2003-04, including a \$500,000 grant for relocation, recruitment and training assistance.

The remainder was lease assistance on a new building, paid as a \$500,000-a-year loan that converted to a grant over five years,

subject to it meeting specific milestones.

Motorola won a grant of up to \$5.4 million, which involved lease costs for its permanent accommodation in a specially constructed building on the University of Western Australia campus.

In 2000, IBM Australia received a grant of \$1.9 million to expand its Australian Programming Centre.

There are currently about 120 staff based at the site and the acquisition of Micromuse in the first quarter of the financial year added another 40 staff.

"It wasn't by design that Micromuse was based in Perth, but it's a great kick along in the state," said the general manager of IBM Australia's software group, Steven Worrall.

Mr Worrall said as there was only a small talent pool in Perth, many IBM staff were transferred from international locations such as South Africa, Britain and New Zealand.

"We have a lot of people with their hands up to come to Australia," Mr Worrall said.

Meanwhile, CSC Australia is

increasing IT staff numbers by 10 to 15 a month in Perth. About 700 staff are based there, working on contracts with BHP Billiton, Xstrata and Rio Tinto.

A new contract with Woodside Petroleum would add dozens of new roles, said managing director Mike Shove.

Mr Shove said the firm's business was driven equally from the resources sector as from state government contracts, including those with the departments of justice, agriculture and land information.

While Mr Shove said there was a stable workforce in Perth with less turnover, he said there was a "tension to finding good people" because of the state's boom.

"We certainly expect to see double-digit revenue and profit growth in the 10 to 15 per cent range and we expect WA to grow probably 10 per cent faster than the rest of the country," said Mr Shove.

BHP Billiton last month launched a global technology centre in Perth and relocated 40 technology roles from across Australia. Headcount at the centre was expected to grow to over 100 within two or three years.

Air NZ tips mobile phone use in planes

Tom Pullar-Strecker

Air New Zealand is surveying passengers to see if they are keen to use mobile phones and access email and the internet on planes.

Inflight entertainment manager Matthew Wood said the airline wanted to check what customers' expectations were and whether they had any concerns. "For a long time, we have been telling people not to use [mobile phones] as they will interfere with the navigation systems of aircraft," he said.

He said Air New Zealand believed the use of mobile phones on planes was close, but it was also keen to find out what other communication services customers might want.

Inflight communications took a big step backwards last month when Boeing said it would kill off its pioneering Connexion by Boeing inflight internet service at the end of the year.

However, rivals such as OnAir — a joint venture between Airbus and technology company SITA — look set to fill the gap.

OnAir last month concluded a deal with Ryanair in Britain that will let passengers send and receive text messages and emails using their phones and handheld computers — subject to approval from airline safety regulators.

Qantas will trial a similar service from Panasonic early next year.

Ryanair plans to fit out more than 200 Boeing 737 aircraft between mid-next year and early 2008. OnAir will provide connectivity using the SwiftBroadband service provided by satellite network operator Inmarsat through three satellites.

"Boeing said it would kill off its Connexion by Boeing inflight internet service."

OnAir is also preparing its own inflight internet service and promises to let passengers stay connected at "economical rates" when flying on Airbus and Boeing aircraft.

The joint venture already lets passengers on nine airlines, including Qantas, send text messages for US\$50c (66c) using their inflight entertainment system.

OnAir said the price of mobile phone calls would be in line with standard international roaming charges, and the cost of surfing the web from aircraft would be similar to connection fees charged by hotels.

Connexion by Boeing's wi-fi service lets customers use their own notebook and handheld computers. It has been available from about a dozen carriers and costs a flat fee of \$US29.95 per flight or \$US9.95 an hour. The hardware will be ripped out of aircraft by the end of the year.

Before it decided to scrap the subsidiary, Boeing was integrating its service with airlines' inflight entertainment systems, including the Rockwell Collins system used by Air New Zealand.

Had that project been completed, customers would have been able to access the internet and send emails using the TV screens on planes and some form of keyboard or remote control supplied by the airline rather than using their own computer.

Air New Zealand's Mr Wood said integrating internet access with inflight entertainment systems remained a "compelling proposition" for travellers on long-haul flights.

The Dominion Post

The Dominion Post

Chips on table as big buy-out looms

A consortium of investment firms was near a deal late on Sunday night to acquire Freescale Semiconductor, a former unit of Motorola, for more than \$US16 billion (\$21 billion), according to people briefed on the negotiations. The deal, if completed, would be the largest leveraged buy-out ever in the technology sector, surpassing the \$US11.3 billion sale of SunGard Data Systems last year.

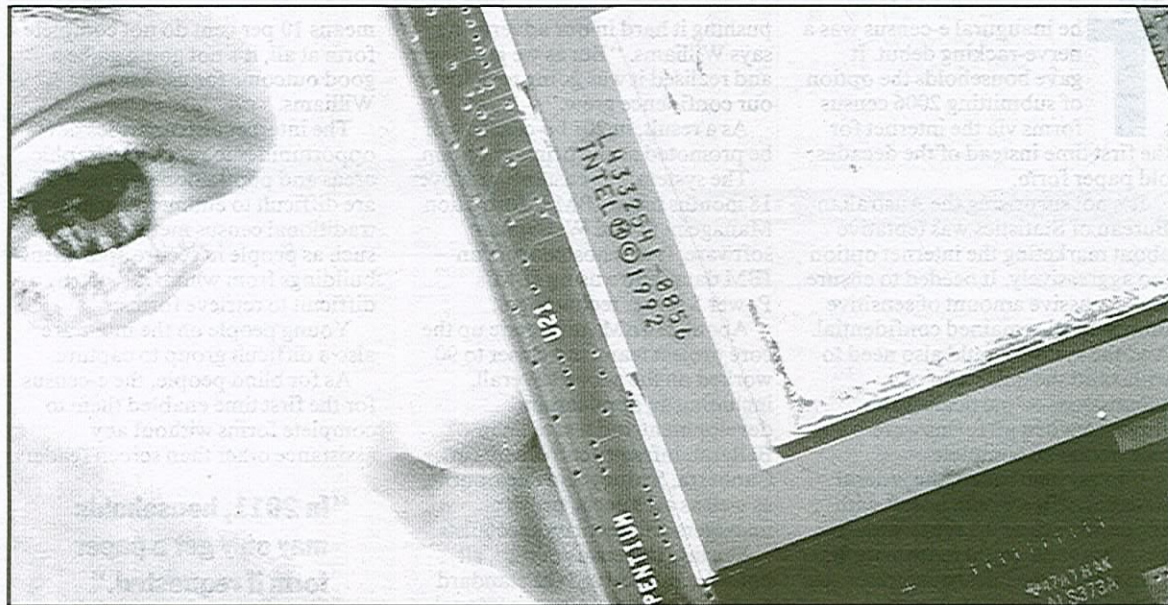
The talks illustrate the increased appetite of private equity firms for the technology industry, a sector shunned for years by financiers because it was considered too volatile.

But as technology companies have matured and private equity firms have begun to look for companies that are not simply stable, but also growing, more and more deals are taking place.

The heart of Freescale's business is in making specialised, or embedded, chips that provide intelligence for things as varied as automotive engines and mobile phones.

The consortium of investors in talks to acquire Freescale include Texas Pacific Group, Blackstone Group and Permira, the sources said. It is possible that the Carlyle Group and Bain Capital could also join the group.

People involved in the discussions warned that the talks could still collapse or that an interloper could emerge with a higher bid. Indeed, Kohlberg Kravis Roberts & Company and Silver Lake Partners submitted an 11th-hour offer for Freescale, but it appears that the bid



Freescale Semiconductor is targeted by a consortium of investment firms.

Photo: JESSICA HROMAS

may have been too low and too late, the sources said. Of course, it is possible that the group could return with a higher offer. Exact details of the bids could not be learned.

A spokeswoman for Freescale did not return a call seeking comment. Spokesmen for the consortium either declined to comment or could not be reached.

The semiconductor industry appears to be in a deal frenzy.

Last month, Philips Electronics agreed to sell 80 per cent of its semiconductor division to a group of private equity firms Kohlberg Kravis Roberts & Company, Silver

Lake Partners and AlpInvest Partners for €3.4 billion (\$5.7 billion).

Furthermore, Advanced Micro Devices agreed to buy ATI Technologies for \$US5.4 billion in cash and stock earlier in the northern summer.

Joe Osha, an analyst at Merrill Lynch, wrote in a note to investors last month saying semiconductor companies were ripe for more deals. "We think that managers in the semiconductor industry need to start thinking more seriously about capital structure or risk some unwanted but long overdue

attention from activist investors and buyout firms."

Freescale, which was spun out of Motorola in 2004, is now the world's 10th-largest chip maker with some \$US5.8 billion in revenues last year. The company plays a major role in electronic markets including the automotive and communications industries.

Customers include Motorola and their extensive line of mobile phones, Sony Electronics, Whirlpool appliances, Cisco routers, and car companies such as Mercedes, BMW, Ford, Hyundai and General Motors.

The New York Times

Skills shortage forces bosses to pay Kiwis more

New Zealand's low unemployment rate is proving good news for information technology workers negotiating pay increases.

The country's technology workers have negotiated much better pay rises over the past six months as the skills shortage finally forced employers to open their wallets.

Annual pay including bonuses and commissions jumped 6.3 per cent on average, a solid 2.3 percentage points above the

inflation rate, according to pay researcher CSI. Base salaries rose 6.1 per cent on average.

CSI's twice-yearly survey covers computer specialists working in businesses, government departments and universities.

During the same period last year these workers were averaging total pay rises of 4.3 per cent, 1.3 percentage points more than inflation at the time. By the time of CSI's last survey in March, real pay

rises had ratcheted up to 1.8 per cent.

CSI New Zealand practice manager Rachel Finnemore said the low unemployment rate of 3.7 per cent meant employers were being forced to pay staff more to prevent them leaving for a better offer.

Staff employed by IT and telecommunications firms aren't faring as well. CSI found their pay rises averaged 4.6 per cent over the past six months with base salaries increasing only 4 per cent, matching inflation.

Pay rises are down on the year before when total pay for employees of ICT firms went up 4.9 per cent and base salaries rose 4.7 per cent.

This may reflect belt-tightening at the nation's biggest telecommunications company, Telecom NZ, after the government announced its intention to open up the telco's copper network.

Pay rises were again targeted at top performers.

The Dominion Post

The Dominion Post