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Breaking News



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Finance

Fri, Jun 15, 01

## Valley victims are selling up and moving on

Is the worst over? Yes and no. . . It's my feeling that we have more pain to go through before we feel the gain. . . Companies are still slashing IT budgets

By NIALL MCKAY

God, this place has gone to hell in a ham basket. All we need now is an earthquake to finish the job off. First, there was the dotcom meltdown, then companies that survived had to send their employees home because there was no electricity.

Then they doubled our electricity bills but we've still got blackouts. Now they are telling us that there is going to be a water shortage. Petrol prices have doubled in a year and city officials are about to increase the price of the toll to cross the Bay Bridge to \$3 (€3.56).

Now the official figures are arriving. In the first three months of 2001, 19 companies filed for bankruptcy in San Francisco, listing more than \$600 million in debit. The companies they owe money to are also in trouble - mostly magazines, recruitment and PR agencies, and equipment-leasing firms. My immigration lawyer told me (as she took my cheque) that she now refuses any high-tech clients unless they are willing to pay cash up front.

Craig's List, a San Francisco-based website that offers free listings, used to have up to 100 job postings a day in its computer section; now it has between three and five listings per day, while the "for sale" section is full of yuppie toys at knockdown prices - such as a new Sony Pentium desktop computer for \$600 and a 96 Suzuki Jeep for \$3,000.

The problem is that many of the tens of thousands of employees laid off in the past six months are selling all their possessions to either go travelling or leave town.

Now a group of companies has banded together and started the Take back the Net campaign encouraging netizens (cyber citizens) of the world to unite. Another group has created the Save the Net campaign, encouraging people to devote one day a week to shopping online. But I don't think that anybody is listening.

Is the worst over? Yes and no. Certainly, a great number of the firms with flaky business plans are already dead. Now, the larger suppliers are feeling the knock-on effect and many of them are now laying off their employees. It's my feeling that we have a great deal more pain to go through before we start to feel the gain.

According to a survey by Deutsche Banc Alex. Brown, US companies are slashing their IT budgets. Instead of increasing spending by 7.3 per cent, they will only increase their budget by around 3 per cent.

Another survey, by research firm IDC, says western European tech spending growth, which it had estimated at 11.1 per cent this year, will drop to 7.9 per cent.

Still, one sector is not shedding any tears over the slowdown. That's charities and nonprofit organisations. Lack of high-paying jobs coupled with the high-tech workers new disillusionment with the stock market has created a new breed of people looking for less money and more fulfilment.

But once the summer ends, I believe we will start to see some real hardship in this region. By that time the 20,000 workers who have been laid off will begin to run low on savings and high on credit card debt.

So I say, to hell with saving the Net. Save yourselves.

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