

IBM's China-win claim irks HP

November 17 2005

For IBM, winning its single-biggest contract in China is something to be immensely proud of, and they are understandably eager to publicize it widely, but rival Hewlett Packard is disputing Big Blue's claim that it seized the deal from HP.

On Thursday IBM announced it has won a deal from the Chinese government to update its computer server system, but claims that it will be taking over the system previously operated by HP are "completely wrong," HP spokeswoman Elizabeth Archibald said.

That claim, however, has not stopped IBM from deliberately choosing to announce its China contract as HP announced its latest financial statement. Moreover, it has stuck by its claim that the deal represents a victory of the IBM system over HP.

"This is a head-to-head win" for IBM, and HP systems will be replaced by IBM's in the near future, a company official said.

IBM stated that the China State Administration of Taxation, which oversees tax collection across the country, will be replacing HP's Superdome servers with IBM's Power5 system only two years after the HP systems was first installed. An IBM spokeswoman said that rather than keeping the recently installed HP system, the Chinese government has chosen to replace the HP servers with IBM's Unix-based system, marking the largest displacement of HP's systems in the company's history.

HP, however, said that while IBM did indeed win a contract from the Chinese authorities, that deal would not replace what HP has already installed, but rather supplement it. In addition, HP's Archibald said that contrary to IBM's claims that HP had installed Itanium-based Superdome systems, it had actually put in 80 systems, including 46 Superdomes based on PA-RISC, which was HP's single-biggest Superdome order.

"This sort of buying practice in China is common, spreading deals over multiple vendors," and not just committing itself to one company, Archibald added.

What there is no doubt about is that major information-technology companies are prepared to fight hard and sometimes even ugly to get ahead in the increasingly competitive market of winning contracts from China, which now boasts the world's seventh-largest economy.

China's tax agency alone is prepared to pump at least \$1 billion for its golden tax project to improve its tax management system as the country continues to expand rapidly -- and with it, its tax revenue base. IBM itself expects tens of millions of dollars as a result of its single-biggest deal in China as it places 37 servers across the country.

Meanwhile, Karl Freund, vice president of Unix strategy at IBM, pointed out that his company is investing heavily in making the Power5 system even more powerful, with plans for the development of Power6 and beyond already well under way.

"We've seen revenue growth increase about 36 percent" from a year ago as a result of the Unix system "in a relatively flat market," Freund said, adding that the company has about one-third of the overall market.

Certainly, IBM has a distinct edge over other competitors in the world of high-speed, high-capacity processing servers, not just for commercial

purposes but also in the realm of research as well.

According to the annual survey of supercomputers worldwide conducted by the University of Mannheim, the University of Tennessee and the Lawrence Berkeley National Laboratory this month, IBM holds the No. 1 and No. 2 spots among the world's most powerful supercomputers, with the U.S. Department of Energy's Lawrence Livermore National Laboratory in Livermore, Calif., and IBM's Thomas Watson Research Center in Yorktown Heights, N.Y., respectively. Of those that made the group's Top 500 list, over 52 percent were from IBM, while HP had the second-largest share with about 19 percent.

IBM officials declined to comment, however, on whether or not its ties with China have strengthened since Chinese computer giant Lenovo bought out its personal-computer division for \$1.75 billion earlier this year, but some industry analysts argue that the deal certainly could not have hurt IBM's chances to win the latest contract from the government.

As for the claims that it won out against HP in China this time around, HP's Archibald said that while the facts were "so wrong," the company still had no plans on if they would take any proactive action to correct IBM's announcement.

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