

# World Report

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The Old Dominion goes digital

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Culture and casinos

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Keeping the tourists coming

# Bright Prospects

**NEW YORK**

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□ For all the gloomy predictions earlier this year, particularly in the hi-tech sector, the economy in the US is proving remarkably resilient.

While it may be too early for Americans, not to mention the global economy, to do more than breathe a sigh of relief, there are positive signs that the economy may be back on the path of upward growth.

Official figures for the first three months of the year confounded the doomsters by showing a bounce back in growth to an annual rate of two per cent, following a five-year low of one per cent in the final quarter of 2000.

Meanwhile, the Organisation for Economic Cooperation and Development (OECD) is predicting that the global economy will recover rapidly, thanks to a pick-up in US growth later this year. And the US Treasury's Office of Macroeconomic Analysis has reported indications that the economy has already bottomed, with little sign of the cumulative weakness that could drive it lower.

Growth expectations have been boosted by an unexpected improvement in the US trade position. The US Federal Reserve has made cuts in interest rates and manufacturers have been rapidly adjusting their inventories.

The housing and motor manufacturing sectors, two areas where any cyclical weaknesses in the economy show up quickly, remain relatively strong. Personal incomes are still rising, although spending has been relatively subdued.

The hi-tech and tourism sectors have both suffered the effects of the slowdown – indeed the decimation of the dot.coms and the plunge of the Nasdaq exchange were the forerunners of it. But both sectors are deeply entrenched in the modern US economy and their fundamental strengths suggest that any present difficulties are likely to be short-term.

This report features snapshots of two cities and two states. As the Nasdaq makes its official move to the Big Apple and IBM celebrates positive results, Virginia consolidates its transformation from Old Dominion to Digital Dominion. As Las Vegas broadens its appeal beyond its glittering casinos, Florida counts the dollars from a record-breaking year of tourism and prepares for the summer season.

In the White House, President Bush has been working on a “substantive” \$1.3 trillion tax relief package, which he believes will kick-start an economy that consumes 80 per cent of what it produces.

The watchwords would appear to be “cautious optimism”.

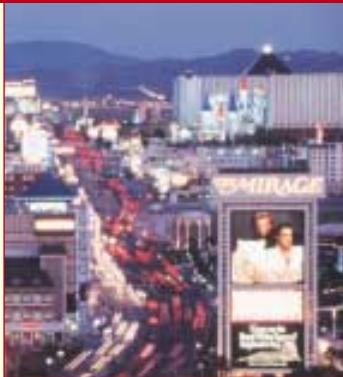
**VIRGINIA**

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Photo: Joseph Sohm/Corbis

**ERRATUM:** In our previous supplement on New York (February, 2001), we mistakenly referred to Lou Clemente, the executive vice-president of Pfizer Inc, as Luke Clemente. Our apologies.

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**9 JUNE 2001**

**NEW YORK**

**Business may have slowed, but Nasdaq's relocation to Times Square shows confidence in the future**

The rapid pace of technological innovation has forced many businesses to take risks – but in New York, that's what making money is all about. And if some of the effects of the slowdown in the American economy are highlighted in the Big Apple, that is because it is still the world's largest centre for investment and share deals, and home to some of the most dynamic hi-tech firms in the US.

Share values on the Nasdaq exchange may have plunged and dot.coms disappeared, but the US economy is increasingly and irreversibly dependent on technology. The growth in media services continues and demand for relevant expertise and experience remains high.

Business may have slowed and firms become more aware of the bottom line, but Mayor Rudolph Giuliani's city still boasts low crime and unemployment, and one of the most pro-enterprise, high-profile locations in the world.

Even in the wake of recent job losses, the unemployment rate in the hi-tech neighbourhoods of New York's Silicon Alley is only a quarter of the national figure of four per cent.

Nasdaq recently made its own official entrance into the city, relocating its main offices from Washington DC to a highly visible location in Times Square. The move marks the beginning of a new era for the exchange and a very public expression of confidence in the future.

Chairman Frank Zarb says: “While we have had a strong presence here for quite some time, we are proud to make New York City our official home. Establishing One Liberty Plaza as our new headquarters, along with the opening of the Nasdaq MarketSite last year, affirms our commitment to New York.”

Just 30 years old, the exchange has probably created more millionaires in its existence than any similar body. The IT revolution has spawned new markets, such as the small but rapidly growing e-commerce sector, and has enhanced productivity in ways that will affect company profitability far longer than the lifespan of many dot.coms.

As hi-tech and internet company shares have plunged, some of the glitter has gone, but there is no shortage of people who believe that Nasdaq will continue to enrich business in the future.

The relocation of the hi-tech stock market follows last year's opening of the MarketSite broadcast studio and the educational Frank G. Zarb Investor Center in Times Square. It also follows recent steps to enable the exchange to be independent from the NASD (National Association of Security Dealers), its former parent organisation. So far,



NASD's ownership interest has been reduced to about 27 per cent, and is expected to eventually fall to zero.

Nasdaq is considering offering shares to the public – possibly within a year. The proposal, aimed at raising cash for expansion and acquisitions, would make it the first publicly traded stock market in the US.

The New York Stock Exchange (NYSE) and Nasdaq have been competing for years, but the ante was raised recently as the markets raced to become the first to offer cross-border trading through links with overseas bourses. Nasdaq's IPO



ZARB

**'We are proud to make New York City our official home'**

(initial public offering) would set the stage for a similar move by Amex while the NYSE, which had originally planned to go public in 1999, could accelerate its plans.

Nasdaq has nurtured start-ups that have grown into huge multinationals such as Dell Computers, Cisco Systems and Microsoft. But it recently lost some big names to its venerable rival, such as AT&T Wireless. Many other leading technology firms, such as Nokia and Nortel, are also on the NYSE's Big Board.



with  
es

Photo: Peter Morgan/Reuters/Popperfoto

## Green light for more network traffic

□ The US hi-tech industry has been in a tailspin, but it can expect a soft landing. That is the view of many market observers, which is reinforced by the first-quarter results of some of the biggest players.

Some companies are outstripping analysts' gloomy forecasts. Apple Computer Inc, for example, has turned in a net profit equivalent to 12 cents a share, 11 times higher than most analysts predicted.

Carly Fiorina, Hewlett-Packard's new chief executive, suggests the downward cycle afflicting the IT industry is bottoming out, although she concedes that the company's outlook for the rest of the year remains sombre.

At IBM, the 90-year-old veteran of the computer business, earnings for the first quarter were 98 cents a share, an 18 per cent increase since the same quarter in 2000. The company's net income was \$1.75 billion for the period, a 15 per cent rise on the previous year, and revenues were \$21 billion, an increase of nine per cent.

Chairman Louis Gerstner says the firm has prospered by moving away from its image as a hardware company. "In the face of weakening economic conditions, the validity of the strategies we put in place during the past five years was underscored time and time again."

He adds that IBM's focus on new technology and the development of its hi-tech services business has made it competitive, compared with other companies that have focused on the internet.

The big blue-chip enterprise sold \$88 billion worth of goods and services last year. It is renowned as a one-stop shop for the technology needs of corporate America, selling everything from software and PCs to mainframes and consulting services.

Now scientists at IBM have made a technological breakthrough that could produce silicon chips 50,000 times thinner than a human hair. This astonishing advance is the result of work on tiny cylinders of carbon atoms, or 'nanotubes', one of the key components in a chip.

IBM has also been working on a hi-tech future world in which everything in the home would be linked to the internet. The company is to spend several billion dollars over the next few years on Project eLiza, which will develop network-running computers. These need less human supervision because they are capable of self-repair, are able to protect themselves from hackers, and can be configured to handle

different levels of internet traffic.

The company already uses this type of technology. For example, it has a server farm – a group of computers that run complex websites – known as Project Oceano, which automatically directs computing power depending on workload demand, targets potential software failure and takes action to avoid it. No human intervention is needed.

With the launch of eLiza, IBM is capitalising on its leadership in the

### Computers can self-repair and protect themselves from hackers

market for servers. The money spent on eLiza will consume 25 per cent of the company's server R&D budget this year.

The worldwide server market topped \$60.2 billion last year, according to industry estimates,

and IBM was the top vendor with 27 per cent of the market share.

Even before the economic downturn, many job seekers were clicking on websites to look for new opportunities. With a bigger pool of unemployed workers, traffic at these sites is growing fast.

Monster.com is the leading career portal on the web. It is the flagship brand of TMP Worldwide, an online and offline recruitment company based in New York. Monthly visitors to the site increased from 3.4 million in 2000 to 5.7 million in March this year.

The Monster.com global network consists of local content and language sites in 32 countries, including the UK, Australia, Canada, New Zealand, Hong Kong and India. Launched in 1999, it is the 64th most visited site on the internet and the number one destination for job hunters.

New York-based TMP Worldwide is the world's largest Yellow Pages advertising agency and has more than 480 of the Fortune 500 companies as clients. The company

*continues on page 4*

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The financial sector is a major force in New York's economy, accounting for more than 20 per cent of jobs in the city and around 40 per cent of income growth during the boom. As companies across the US adjust their business processes to the demands of the current economic climate, New York-based financial institutions such as Deloitte & Touche are taking an optimistic stance.

William Parrett, company president and managing partner, says: "We are very bullish about the future. The strongest growth areas are in consulting, particularly in software package implementation where we are now experiencing expansion rates of 25-30 per cent. That is expected to continue for the next couple of years."

Another New York finance giant that has recently demonstrated its confidence in a hi-tech future is the investment banking and brokerage firm Lehman Brothers. In conjunction with Financial Security Assurance, a major municipal bond insurer, Lehman Brothers has become a strategic investor in The Municenter, the largest web-based platform for trading municipal securities.

Lehman Brothers's managing director Vincent Lynch says: "We probably invest in about two dozen web-based trading platforms, but fundamentally they share a link to the financial services industry. They represent the markers we are putting down on the significant directional changes that this business could potentially take." ■



Photo: Steve Prezant/Corbis Stock Market

**In touch: virtually everything in the home will be connected to the net**

*continues from page 3*

set up Monstermoving.com last October, now a leading source of relocation information. Monthly traffic on the site has increased by about 300 per cent since its launch. Both Monster.com and Monstermoving.com are based in Maynard, Massachusetts.

Monster.com has more than 9.5 million CVs on its database. Its nine European sites alone have one million job-seeker accounts and 500,000 resumé.



**McKELVEY**

**'We are filling in the gaps, adding more value to the service'**

"Despite the slowing economy, Monster.com has continued to grow, as our traffic numbers and resumé submissions for March demonstrate," says Monster.com chief executive Jeff Taylor.

"Our global expansion, including our newest site in Italy, has been tremendous. We have achieved the recognition of being the number one career site in the UK, France and the Netherlands."

TMP was founded in 1967 and today employs 9,500 people around the world. Chairman Andrew McKelvey says the number of CVs they have received has grown to such an extent that the company now offers a screening service of candidates "for a modest fee".

"We do the assessment work. We work on the test or evaluation methodology with psychiatrists and psychologists. In essence, what we are doing is filling in the gaps, adding more and more value to the service."

Apart from the government, TMP has the largest database of CVs in the US, adds Mr McKelvey. "We have very sophisticated software. If I want, I can use our technology to find an engineer who likes peanut butter."

The company's next step is a service called Monster Learning,

a web-based educational tool that helps workers learn new skills to make them more marketable.

New York-based Earthweb is a provider of solutions to IT professionals and is eager to expand abroad with its major online job centre, dice.com. Company president Jack Hidary says: "We have learned in the past five years that in order to survive you have to adapt quickly to the changing market environment. We have dramatically altered our business several times already.

"We have alliances with ABC News, Yahoo, AltaVista and many other websites because we want to leverage their audience and they want to use our service," he adds.

Mr Hidary believes that venture capitalists in New York were relatively late in finding this particular niche. "It took them a while to understand the internet market and the nature of businesses in this sector. We have been fortunate to be able to hook up with a company that has an international presence. We are quickly becoming a global unit – we operate in the UK and many other countries."

New Jersey-based Avaya Inc, a communications systems spin-off of Lucent Technologies, says that international sales account for 24.7 per cent of the company's total. "We have a very substantial business in the UK, and South America and certain Asian markets, and China as well, all represent growth areas for us," says company president Pat Russo.

Net income in the past year was \$78 million on revenues of \$1.85 billion, up 1.1 per cent since last year. That the business could show increased sales in a market that is slowing down has boosted investor confidence.

"If you look at the productivity growth that has been enjoyed in the United States you would be hard pressed to find someone who doesn't attribute much of it to the investment that has occurred in information infrastructure, in information technology, in communication systems," Ms Russo adds.

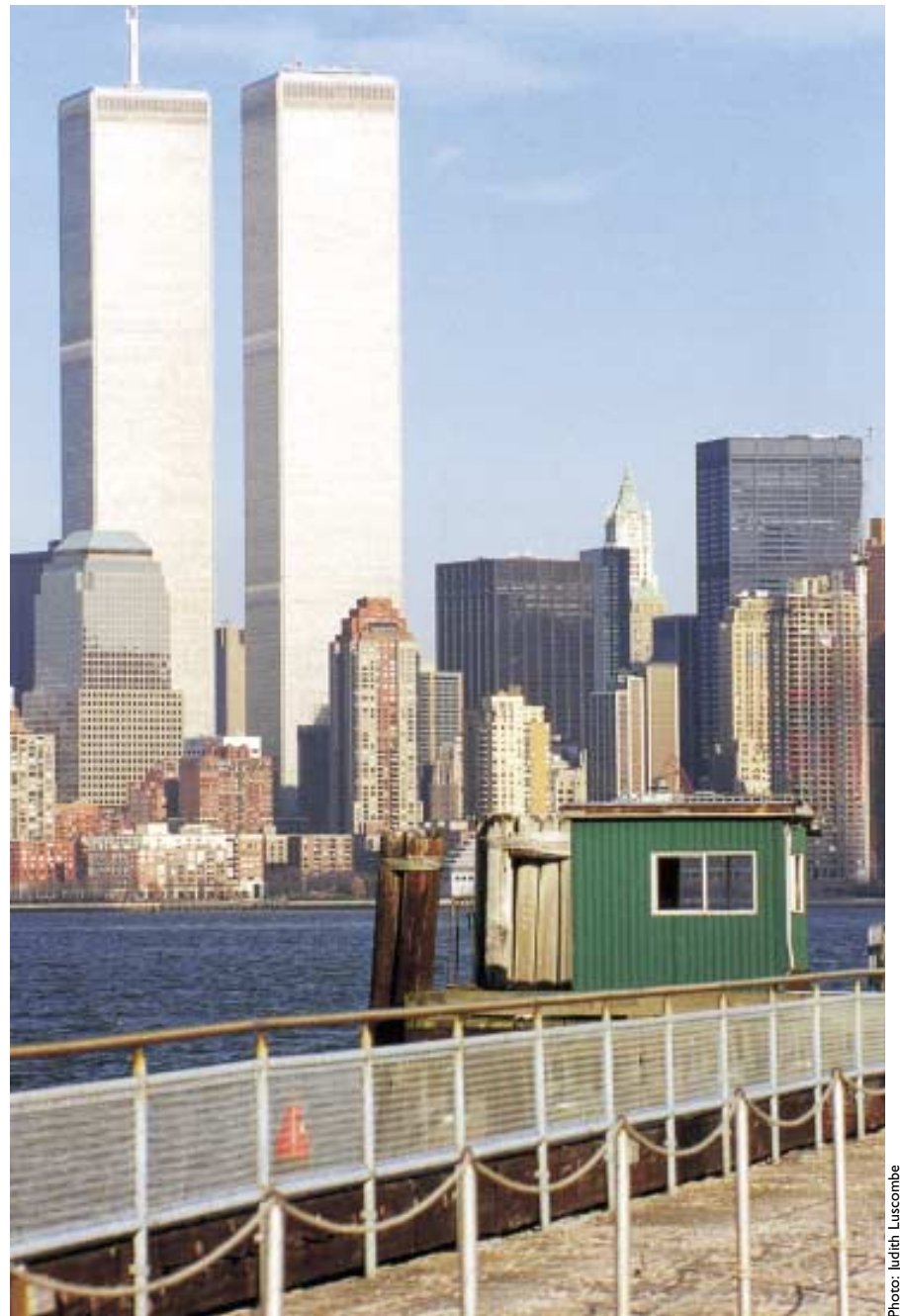


Photo: Judith Luscombe

# Innovation and collaboration

***A renewed spirit of optimism in the semiconductor industry is encouraging major spending on research and development***

New Yorkers are renowned for their ready opinions, but many are finding it hard to say anything decisive about the future of the high-technology sector, as the industry experiences a slowdown.

Investors have reason to be nervous – more than 51,000 internet jobs have been lost since the beginning of the year as dozens of web businesses have failed and traditional companies have scaled back their investments. There are still

plenty of optimists, however, and the big players remain confident.

Intel, the largest chip-maker in the world, is one of several manufacturers planning major spending this year. The enterprise's capital expenditure is expected to reach around \$7.5 billion, with an additional \$4.2 billion dedicated to further research and development.

Chief executive Craig Barrett has a simple argument to back his confidence. More than 50 per cent of US households

have a personal computer whereas Europe has only half of that and Asia is still in the 'low single-digits'.

Over its history, the semiconductor industry has grown by an average 16-17 per cent a year, says Mr Barrett. "I don't think there is any reason why it should not continue to grow at that rate," he adds.

Amazon.com also appears to be making progress. Many analysts thought its consumer electronics products would prove to be unprofitable. But the business segment saw gross margins rise to 15 per cent in the first quarter, up from 9.5 per cent a year earlier, although it had an operating loss of \$45.8 million on sales of \$116.5 million. Including all operations, Amazon says its gross margin for the quarter jumped to 26 per cent from 22 per cent a year ago.

The established players among New York's own hi-tech community continue

next step towards prosperity. This year we have more than two billion clients. It was not that long ago, in 1993, that we only had 300 million."

Symbol Technologies's innovations are mostly a result of its collaborations with European customers. One example is a device that will "change the whole paradigm of shopping", he says. At the very least, it will shorten queues in supermarkets.

The system works by a customer registering a card on entering the shop. Instead of piling up a trolley and waiting at the checkout, every item is scanned

and the customer simply checks out, the total already having been calculated.

"Our system is being developed with our European customer in Holland and is being installed in about 600-700 stores. It is really taking off for us," says Mr Razmilovic.

The next stage of development, being created with Ericsson and Motorola, will be a barcode scanner that connects to an internet portal. The information provided will include details of bargain prices and the places to find them. Coca-Cola is about to subscribe to the portal, he says.

The possibilities for development seem endless. Around 10 per cent of all home security systems currently sold in the US are connected to the web. With one of Symbol Technologies's domestic devices, a camera allows you to check how the babysitter is behaving with your children, says its president. "What is going to happen will enhance people's quality of life. At the moment, too much money is being spent on bureaucracy, which is not productive."

He says that although the European markets are relatively small their firms

*continues on page 6*



RAZMILOVIC

**'We needed to prepare ourselves for the next step towards prosperity'**

to plan for growth. Symbol Technologies, a world leader in mobile data transactions, deftly bought out rival Telxon in December to boost future results.

Symbol Technologies, winner of the National Medal for Technology, is one of the biggest players in the barcode scanning business. It connects people on the move, packages, paper and shipping pallets to information systems and the internet. Today, 10 million of their scanners, mobile computers and local area networks (LANs) are used worldwide.

One of the company's latest devices could offer faster restaurant table service in the near future. H-Hot is a handheld computer with an integrated secure payment facility, which allows waiters to communicate their orders to the kitchen electronically, receive prompting on delivering service and complete payment at tables. The system enables waiters to ascertain which dishes are unavailable and reminds them to inquire whether diners would like side orders, drinks or desserts.

Based in Holtsville, New York, Symbol Technologies was an early player in wireless technology and plans to play a part in the next generation of mobiles connected to the internet. The firm has forged alliances with telecommunications leaders 3Com, Ericsson and Qualcomm, and plans to network products with Intel.

Its partnerships with other firms are like "successful marriages", says the company's president Tomo Razmilovic. "We have had pretty substantial growth – 20 to 25 per cent – which was two to three times more than any other firm in the industry," he says.

"Then we acquired Telxon. The reason for this was tactical – it was not for the technology. We needed a bigger mass of customers to prepare ourselves for the

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are creating more advanced applications. "In the US, because of the size of the economy and the continent, it is much easier to achieve a critical mass without the same level of sophistication. People tend to forget that.

"The problem is that the spirit of the European market has been poorly marketed to the public. Americans believe that bureaucrats are going to run everything," says Mr Razmilovic.

Harris Miller, the president of the Information Technology Association of America (ITAA), based in New York, enthusiastically promotes US technology, despite the slowdown in the market. "The internet is still in its adolescence," he says.

"We still think of the net as something tied to PCs. But in 10 to 15 years, it will be everywhere. The internet is going to be in your watch, your personal organiser, your car, your refrigerator and your office.

"Telecommunications companies are also in the early stages. The sector is heavily monitored even to this day, and part of the challenge for the industry is to get more competition into and more regulation out of the marketplace.

"The US government has focused on what we call 'regulatory forbearance', which means that it does not regulate something unless there is a clear failure in the market." ■

## Energy sector powers building industry

□ Despite concerns about the slowdown in the US economy, the construction sector has plenty of mileage to run. It is not only an indicator of the nation's progress but also a highly prominent one.

The residential market remains robust, and construction firms are set to be busy this year following calls from various influential quarters for greater power-generating capacity in New York, better buildings for the technology sector, headquarters for new industries arriving in the city, and urban infrastructure development.

Energy became a nationwide topic last year when California suffered 'brown-outs' or power shortages, and New Yorkers have been worried that they might end up without electricity at peak times. Frank MacInnis, chairman of the Emtor Group construction company (Electrical Mechanical Corporation), says power generation "will be a major area of concern for the North American economy during the next few years".

The aim of building up Emtor, he says, was "to sufficiently diversify and protect the firm from regional economic downturns". He adds that

it offers the "broadest array of services of any company in the business".

Connecticut-based Emtor is one of the world's largest specialist construction firms. It designs and installs mechanical and electrical systems, which provide about 80 per cent of its revenues. Since the company was set up in the late 19th century, it has been through several name changes before settling on Emtor in 1994.



MACINNIS

**'We offer the broadest array of services in the business'**

Since then, the enterprise has made a number of acquisitions and now it has more than 40 subsidiaries in Canada, the UK and 21 states in the US. It also operates through joint ventures and subsidiaries in Hong Kong, Oman, Saudi Arabia, South Africa and the United Arab Emirates. At the end of last year its market value was \$238.1 million.

It is not merely California, the richest of states, that is facing power shortages. US energy secretary Spencer Abraham says the American network of generators, transmission lines and refineries that convert raw resources into useable fuel is "woefully antiquated and inadequate for our future needs".

The Bush administration is developing an energy policy that will encourage the development of oil and gas and the construction of power plants, pipelines and transmission lines. The industry and investors are looking more favourably on creating new facilities and refurbishing old ones.

Emtor, with around \$3.5 billion in revenues, is consolidating its engineering leadership. Mr MacInnis adds that high growth areas such as telecommunications infrastructure will provide the driving force behind the specialised construction industry.

However sophisticated the means of communication, there will always be the need for a building firm to create accommodation – for both the computers and the people who operate them.

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# Transforming the Digital Dominion

**The rapid advances in technology have been aided by good education, government support and public-private partnerships**

Virginia is home to the oldest English settlement in America, but the state has acquired a modern nickname – the Digital Dominion.

Since his election in 1998, the state governor, James Gilmore, has banged the drum for the hi-tech business. “Our goal is to enhance the development of the new economy at its cutting edge,” he says. “Virginia’s strength rests in its software industry and we have thousands of small corporations programming in the state.”

Virginia is officially known as the Old Dominion State, but Mr Gilmore says: “We wanted to project to the world what we really are. We decided that Digital Dominion was a good name, particularly with our strength in the internet. Virginia is oriented towards the net and its development as a global medium.”

Mr Gilmore appointed Donald Upson into the new role of state secretary of technology to spread the word. “The exciting thing about Virginia’s economy is that it is driven by entrepreneurs,” he says, adding that more than half of the 13,000 technology firms will quadruple in size over the next four years.

“We have the second-highest growth in technology companies in the world, after Washington State, which gives you an idea of our community’s competitive nature.”

The state hosts giants such as AOL Time-Warner, the world’s biggest media company, and Nextel, the biggest independent US mobile phone operator, MCI Worldcom and Web Methods. More than 50 per cent of global internet traffic runs through Virginia.

“The reason these firms are located in Virginia is that our taxes are lower and our regulatory environment is friendlier than elsewhere,” says Mr Upson.

The presence of major companies like these has encouraged new businesses to set up in the state. Around a quarter of a million jobs were created in three years, well within the state government’s four-year target. Last year, more than \$6 billion was invested in homegrown enterprises.

Barry DuVal, secretary of commerce and trade, says five ingredients have contributed to the region’s transformation. “The first is that Virginia is very well connected to the outside world,” he says.

It has good air, road, rail and sea services. Its ports are among the busiest on the east coast and about 60 per cent of the US population lives within a day’s drive. Unemployment, at two per cent, is



Photo: Jose Luis Pelaez/Corbis Stock Market

**Bright future: around a quarter of a million jobs have been created in just three years**

half of the national average and Virginians tend to earn higher wages than the rest of the country. Fairfax County ranks third in the US in terms of payroll growth, behind New York County and California’s Santa Clara County.

“We have more graduates than any other state in the region, so the workforce and intellectual capacity are key components,” adds Mr DuVal.

“There is a public-private relationship that exists between business and government in Virginia, and a camaraderie in our technology community. Within the manufacturing, services, tourism and hospitality sectors, this partnership links our economy and government together.”

Anne Armstrong, president of Virginia’s Center for Innovative Technology (CIT), which supports cooperation between the government and the hi-tech industry, says there has been a “definite slowdown” in IPOs (initial public offerings). But, she adds: “There is a nice stream of companies that are getting private, venture-capital funding. We will see more mergers and acquisitions and a lot of consolidations, which is good for the industry.”

Looking for further funding is Savvis Communications, a major service provider for internet protocol (IP) solutions and the first to deliver web economies



Photo: Savvis

**Savvis intelligent IP networking services can integrate internet, extranet, intranet and e-business hosting into one simplified and affordable solution over a single local loop**



FINLAYSON

**‘The security of a private network for the price of the web’**

which sells financial data to banks and investment firms and is the service provider’s largest customer.

Jack Finlayson, Savvis’s president, says the company is connected to 70 of the top 100 banks in the world, and 45 of the best 50 brokerage houses. “Essentially, in any big city where there is a financial institution, there is a very high chance that we have a connection there,” he says.

“Recently we have hired people in Europe to increase our revenues. The technology works everywhere because people want the security of a private network for the price of the internet.

“Managed hosting is an important piece of our business since our customers in the finance industry want someone to hold the servers in a secure site. We already have expertise in this area as we manage 20,000 servers for BIS.” ■

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# Competing on a new circuit

Photo: Paul Hardy/Corbis Stock Market

***A cost-effective alternative to Silicon Valley, Virginia offers businesses a hi-tech skills base and robust infrastructure***

**J**amestown in Virginia, founded in 1607, was the first English settlement in the New World, and the state is still considered the cradle of American democracy.

The city remained the capital of the old colony until 1699, when Williamsburg became the seat of power, followed by Richmond in 1780. Virginia is immensely proud of its history, but it is not resting on its laurels. Today, the state is one of America's wealthiest and its economy is driven by some of the world's leading hi-tech companies.

Robert Griffin, president of eMotion, explains why his firm decided to locate its headquarters in Vienna in northern Virginia, instead of Redwood, California, where its development offices are based. "This is where companies like MCI, Sprint, GTE and a lot of ISPs (internet service providers) all started out. We are able to access the internet backbone more efficiently than we can anywhere else, with the possible exception of the extreme west," he says.

"We are right in the middle of a hi-tech population corridor. Not only have we got great universities but we also have excellent infrastructure technology firms here. They are continuing to educate, train and create new resources. The skills base is very strong and the infrastructure to support our business is robust.

"It was more cost-effective than trying to start up in Silicon Valley, where the cost of living is ridiculously expensive. That makes it difficult to encourage senior executives to move there and it would be almost impossible to attract new college graduates, so we decided to choose northern Virginia instead."

Mr Griffin's company is the leading provider of digital media management solutions. The only way businesses can take advantage of their analogue assets is

to turn them into digital, which is where eMotion comes in, he says. Among the firm's clients is McDonald's. "We manage their photo archive, which includes every historical picture of McDonald's in the world – every store front, and every picture of hamburgers and French fries.

"McDonald's uses our technology to review and approve all of their commercials. On this side of their business alone, they are saving a million dollars annually by using our technology to move those assets around the world."

Other companies using eMotion's technology are Nike, the World Bank, Coors brewery and advertising agency Leo Burnett. The Virginia firm also has a direct-selling organisation with offices in



**GRIFFIN**

**'McDonald's saves a million dollars annually using our technology'**

Chicago, New York, Los Angeles and London, as well as a small development team based in Israel. "We have a global reach and we are going to market directly to channel partners," says Mr Griffin.

In April, eMotion linked up with Ampex Data Systems to integrate their technologies in the acquisition, storage and processing of visual information. "The combined benefits of these two industry leaders will set a new standard in the management of digital media," he adds.

The Xybernaut Corporation based in Fairfax, which has just delivered its first shipment of hands-free computers to the US Navy and the National Guard, has also grown as a result of its strategic partnerships with IBM, Sony, Toshiba, Hitachi, Hewlett-Packard and others.

Xybernaut markets Mobile Assistant, a wearable voice-controlled computer designed for industrial users who need to keep their hands free. Weighing less than four pounds and costing as much as \$9,000, it comes with a head-mounted video or flat-panel display. The gadget features global-positioning tracking plus internet, cellular, and two-way video and audio communications. The software enables data transmission between the Mobile Assistant and a PC.

Chairman Edward Newman says that Xybernaut's business plan required considerable research and development. "Since the early years, we have had to become involved in the design, engineering, manufacturing and management of systems until others developed the skills we have learned over the years," he says.

"We are at the stage where the market is obvious to everyone, including all of the computer manufacturers, suppliers and mobile phone companies."

Another new Xybernaut client is Federal Express, which is using the firm's equipment for its FedEx Express Aircraft Operations division. The technology provides maintenance technicians with wireless access to and information about FedEx's fleet of 350 aircraft in a business that is time-critical.

Tod Rehm, Xybernaut president and chief operating officer, says: "An ongoing element in our strategic plan is to identify leading commercial, government, military and educational organisations that would benefit from the increased productivity and return on investment from using mobile wearable computers."

The enterprise has selected several firms for new pilot projects, including Bell Canada. Xybernaut employs about 140 people and last year produced revenues of \$9.5 million.

Also based in Fairfax is WebMethods, a software solutions business founded five years ago, which has offices in Europe, the US and Asia. President Phillip Merrick says: "We are the infrastructure that makes a great deal of business-to-business e-commerce possible." The company, which had an IPO (initial public offering) over a year ago, has increased its revenues tenfold. "No other business is selling more integration software, except IBM."

Much of the firm's growth potential lies overseas. "Our Asia-Pacific business did not exist until last summer. By the end



**NEWMAN**

**'We are at the stage where the market is obvious to all'**

of the year we had about 40 people in the region. "Most of our competitors have been around for years and have had time to develop their international

operations. We started with nothing, but we forecast that about 40 per cent of our sales will come from overseas by the end of next year."

Communications in the hi-tech world have come a long way, but one major hurdle is the variety of languages in the world. This problem is being tackled by Multicity.com, an open global network offering nine multilingual communications products and services for consumers and businesses.

Earlier this year, the Virginia-based company launched MultiAuctions, the

first auction product available in multiple languages. It is estimated that two-thirds of internet users will log on from outside the US by 2003.

Alain Hanash, the chief executive, says: "We were the first to introduce these services. We grew very fast in Europe and eventually we started growing in the US.

"We want people to use this medium to learn and to be exposed to different cultures. There is so much to learn about, whether it's religion, music and so on. It's not just about technology." ■



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Photo: Xybernaut

**Hands free: Xybernaut's wearable computer**

# Desert city strikes lucky

Las Vegas, the gamblers' mecca in the Nevada desert, is gaining a new image. Today, its income derives from tourism and business conventions rather than casinos, which have become a money-spinner for cities like Atlantic City.

Once associated with the Hollywood ratpack and the Mob, Las Vegas has transformed itself almost beyond recognition during the past decade. Its global reputation is now one of a city that epitomises America's spirit of free enterprise. Both the authorities and private investors are creating family-oriented entertainment and promoting regional attractions.

More than 900 buildings in the city have been listed on America's National Register of Historic Places, which are mostly in private hands. The National Trust for Historic Preservation has named Las Vegas, once a 19th century trading centre for pioneers at the end of the Sante Fe Trail, as a "distinctive destination".

"Don't confuse this culturally and historically rich town with the other Las Vegas," says a Trust spokesman. "It has a vibrant cultural heritage, influenced by the New Mexican Spanish, Native American, Northern European and Jewish communities."

*The world-famous gambling centre is remaking its image to attract new businesses and improve tourism*

One of the more upmarket attractions the city has to offer is a collection of works by some of the world's greatest artists. The exhibition, which is being displayed in a casino, is the result of a collaboration between the Guggenheim Foundation and Russia's great Hermitage Museum. The organisers hope to repeat

**As many as 6,000 people move to the area every month**

the success of Bilbao, once a little-known northern Spanish seaport that became a major destination for art lovers, thanks to the spectacular Guggenheim Museum designed by Frank Gehry.

The Las Vegas exhibition will open in September in a purpose-built gallery in the Bellagio casino hotel. Foundation director Thomas Krens says the logic behind it is

simple: the city has 37 million visitors a year and enough of them will attend the gallery for it to make a profit.

Nevertheless, gambling is still a major draw as casinos throughout the state take more than \$9 billion annually. The lure of easy money has not weakened – last year a player on a Nevada slot machine won a record jackpot of nearly \$40 million.

Money is still there to be made. Boyd Gaming Corporation, one of the early casino developers in the city, reported first quarter results up on last year. The firm has 11 casinos (seven in Nevada and one each in Nevada, Mississippi, Illinois, Indiana and Louisiana), and is currently involved with MGM Mirage in the development of the 2,000-room, \$1 billion Borgata resort in Atlantic City.

Corporation president Donald Snyder says that Las Vegas is one of the fastest developing metropolitan areas in the US. Between 4,000 and 6,000 people move into the region every month, and his firm is adapting to the changing demography.

"We are planning to expand the size of Sam's Town, one of our Las Vegas casinos, in an attempt to give it a younger feel," he says. "It will allow us to go after both the rapidly growing 35-45 age group as well as the older, traditional market. This will be accomplished largely through the use of state-of-the-art theatre, event centres and 18 movie screens, which will make it the best complex in town."

Mr Snyder says the revamping of the city continues, with the multi-million dollar expansion of shopping malls, the convention centre, and the development of the northern end of the famous Strip where Boyd Gaming owns property. "The entertainment industry will continue to drive Las Vegas," he adds.

"There is a great need to diversify the economy. We have tremendous potential



Photo: James Marshall/Corbis Stock Market

**Money-spinner: more than just casinos**

to grow because of the sunny weather, our proximity to markets, our role as the business hub for the American Southwest and the importance of the hi-tech sector.

"The gaming business is relatively small if you take into account the size of its market capitalisation. The whole industry in stock market terms is worth less than \$20 billion."

One way of making money in Las Vegas is to be part of a successful acquisition. MGM Mirage, the second-largest gaming company in the world, has a strong presence in the city as a result of this strategy. It owns the Golden Nugget, MGM Grand Hotel and Casino, Bellagio, Treasure Island, The Mirage, New York-New York, the Boardwalk Hotel and Casino, and a half share of Monte Carlo. It also has casinos in Australia, South Africa and other US cities.

The business was formed following the merger between MGM Grand and Mirage Resorts, and last year its income was \$85.2 million, up from \$48.5 million in 1999. Chairman Terrence Lanni says: "We



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paid \$6.4 billion for this company so it was a huge risk. We are risk takers, but we are reasonable. Its wonderful physical facilities, management, and bricks and mortar, together with great brands made it clear that this was the one to go for out of all the others on the market.”

MGM Mirage reported that its earnings for the first quarter produced better results than expected. The group’s operating income of \$85.2 million is substantially up on the \$48.5 million it made during the same period of the previous year.

“Our overall earnings, which reflected a normal table-game hold percentage, exceeded expectations despite various challenges,” says Mr Lanni.

While independent travel to Las Vegas was down in the first two months of the year, convention business was up, a factor that probably helped MGM Mirage, which caters to higher-end business and leisure travellers, say analysts.

Las Vegas may be way out in the desert, but it is easily accessible. National Airlines, which began operations two years ago and is headquartered in the city, connects to nine international gateway US cities. Virgin Atlantic, with whom National Airlines has a joint marketing agreement, flies twice-weekly to Las Vegas from Gatwick, and other airlines also fly there.

National Airlines chairman Michael Conway says: “Las Vegas has a broad appeal that goes well beyond the borders



SNYDER

**‘The entertainment industry will continue to drive Las Vegas’**



CONWAY

**‘Every day we have a higher percentage of first-time passengers’**

of the US, and the city has gone through yet another phase of unprecedented growth. It has more hotel rooms than any other city in the world.”

The company operates one of the most modern fleets of Boeing 757s in the industry. The aeroplanes are designed for only 175 passengers, which creates extra leg-room. Mr Conway says: “We are a new airline and every day we have a higher percentage of passengers flying with us for the first time.”

National Airlines operates the longest domestic routes of any other US operator. But Mr Conway knows he will have a battle to put his airline on a world-class level. “It is unfortunate that the general perception of US airlines is so poor. But if visitors coming here from the UK have a chance to experience National Airlines, I think their reaction will be one big ‘wow’.” ■



Photo: Greater Miami Convention & Visitors Bureau

**Both established names and new arrivals are making an impact on the local economy**

Florida makes most of its money from tourism. The state saw a record 74.3 million visitors last year, up from 58.9 million in 1999. The highest proportion were from the UK – 1.5 million people.

The slowdown in the US economy will not put a dent in the region’s tourism, say industry officials. Americans are working harder, says Tom Flanigan, director of communications for Visit Florida, the state tourism agency. “A vacation is less of a luxury and more of a necessity.”

Real estate and tourism will continue to lead the local economy, says Robert Eisenbeis, senior vice-president of the Federal Reserve Bank of Atlanta. Florida ranks top for income from foreign travellers who spend more than \$17 billion a year, according to a study by the Travel Industry Association of America.

Last year the state spent \$20 million promoting beach holidays and Disney World, the globe’s most popular tourist destination. This year there is greater emphasis on ‘the real Florida’ – the region’s primeval swamps and forests. The Everglades is the best known, but Florida also has 120 national parks and recreational areas. Among the largest is the 45-square mile Myakka River State Park, situated to the north of the Everglades, which is a haven for birds as well as bobcats and alligators.

More than 65 million Americans visit the state every year with huge appetites to satisfy, and there are some formidable enterprises to cater for them. Darden Restaurants is the world’s largest ‘casual dining’ firm, which targets the market between fast food and fine cuisine.

With more than 1,130 restaurants nationwide, the company’s annual revenues are around \$3.7 billion. Chains include Red Lobster, Olive Garden, Bahama Breeze and Smokey Bones.

Darden chairman Joe Lee who started out as manager of the first Red Lobster

seafood restaurant that opened 33 years ago, says: “There are a lot of Florida firms that are heavily into restaurants. It’s a great state for dining out.”

Nearly 50 cents of every dollar spent on food is spent in restaurants, he says, and dining out is part of the American



LEE

**‘A lot of firms are into restaurants. It’s a great state for dining out’**

lifestyle “which favours our industry”.

There are two basic groups of people who really do not want to cook, he adds. These are “customers who have been cooking and cleaning all their lives and don’t want to cook for just one or two people”, and “younger people who were raised on McDonald’s, Burger King and Pizza Hut meals”.

With more than 1,000 miles of beaches, the Sunshine State is the place to look cool and you will probably see a greater variety

of shades here than anywhere else on earth. John Watson, president of Sunglass Hut International, says: “People don’t think that sunglasses are important in a place like Britain, where you have few sunny days, but they are really important to protect against ultraviolet rays. We used to call them fashion accessories, but now we refer to them lifestyle necessities.”

The business is the world’s largest sunglasses retailer with nearly 2,000 shops worldwide, including 54 stores in the UK. The company has been bought by Italian eyewear-makers Luxottica Group, which owns the Ray-Ban brand.

The cruise liner business, for which Miami is a major home port, is booming. Larger ships are being built to meet demand, as companies offer more exotic destinations and the new generation of holidaymakers discover an alternative way to take a vacation.

Prices are currently near rock-bottom. More Europeans, particularly the British who benefit from cheap transatlantic airfares, are taking their pick from a variety of cruises. These range from three-day

*continues on page 12*

*continues from page 11*

breaks and trips around the Caribbean with stopovers at some of the islands to voyages to Mexico, the Panama Canal, Hawaii and even Alaska. At least one US firm is thinking of deploying some of its liners to Europe.

Miami-based Carnival, the world's leading cruise line, carried nearly seven million passengers last year. "It has been the fastest-growing segment of the travel and vacation business in this country," says Bob Dickinson, company president.

For several years, half of the firm's cruise passengers have been first-timers. Of the experienced cruisers, four out of five return to Carnival. "It is very gratifying from a customer loyalty standpoint. Last year we carried over two million passengers for the first time," he says.

Carnival is also a tour operator. The enterprise, which operates from 14 ports in the US, arranges airlines, hotels, transfers and air-sea packages from offices in more than 200 cities across the US.

Mr Dickinson admits the cruise-liner business has captured only two per cent

of the total travel market "simply because we do not have enough ships to accommodate everybody. This is why the industry has been building vessels rapidly since the 1980s."

Currently, Carnival has seven ships under construction, with an investment value of more than \$3 billion. "We are coming up with new ports of embarkation, new ports of call and new itineraries. We are looking at Europe, for example, for possible expansion," he adds.

The Boca-Fort Lauderdale corridor – a one-hour drive north of where the cruises leave Miami – clusters together internet startups and hi-tech firms, which have located there for the business climate. This is where the world's very first PC went into production, and it has branded itself the 'internet coast', a self-styled answer to Silicon Valley.

On the Gulf Coast, Clearwater-based IMRglobal, one of the world's leading providers of IT solutions to international businesses, has expanded over the past year. The company earned revenues of \$61.6 million in the first quarter of this year, up six per cent on the \$58.3 million in the same period of 2000.

Satish Sanan, chairman of IMRglobal, says that despite difficult economic and industry-specific market conditions, the company has seen substantial growth. "We are encouraged by the significant opportunities in sales for our insurance and healthcare solutions. In particular,



Photo: Darden Restaurants

**On the menu: dining at Darden Restaurants**

our strong vertical industry expertise, component-based development solutions and management tools provide the sharp edges that differentiate IMRglobal from many of its competitors. This enables us to establish new customer relationships."

IMRglobal's proposed merger with CGI Group is on track. Mr Sanan adds: "We are pleased with our choice of CGI as our strategic partner. The rising demand for business process and IT outsourcing make the merger particularly timely."

In Fort Lauderdale, Nasdaq-listed Citrix

Systems has become a top ASP (application services provider). Vice-president Traver Gruen-Kennedy says: "We specialise in the ASP industry, but part of our overall strategy is to become the central enabler of the web."

The enterprise was the first to develop 'thin-client' technology, which is a low-cost, centrally-managed computer using only essential applications such as Windows or even older systems.

"With thin-client technology, you get more profit per packet if you are an ASP, because you get more added value on a single connection. Whether it's broadband or a thin connection, we can do more as we give more value to the end user.

"We also recognised that as end users move to a more generic interface – a browser – they want to be compatible with a wide range of devices, not just a PC. So we have developed the widest range of devices."

Most hi-tech companies want to be global players and Miami-based Vitech America, a provider of PC-based IT solutions, built a factory in Bahia state in Brazil six years ago, creating a hi-tech park with the state government.

William St Laurent, president of the company, says: "We plan to expand into Chile and Argentina within the next 18 to 24 months. The development cycle of our products is getting shorter, so we have pushed into wireless technology to allow rapid expansion of the network." ■



SANAN

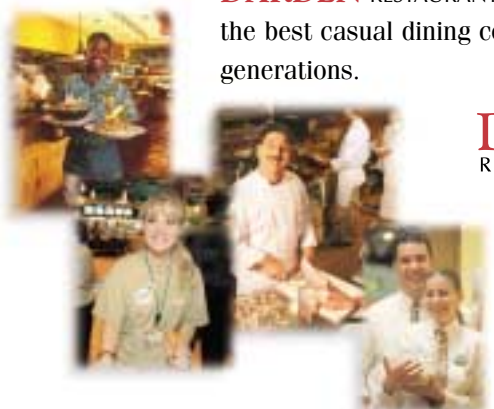
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