Running on empty, tech firms keep on hiring

High-tech companies are running on dangerously low cash reserves but, in many cases, have capped staffing costs despite sales remaining steady or dropping.

While companies have until Wednesday to lodge cash flow statements for the quarter, preliminary figures paint a picture of a sector still struggling.

To date, around 20 high-tech companies have lodged the reports, with more than 100 outstanding. Showing cash reserves almost on empty, an Internet fax exporter Seafax Online, Telecast and micros-turned-technology player Verityron, Seafax Online had cash reserves of just $8,000, as at December 31, while Telecast and Verityron had $63,000 and $76,000 in the bank respectively.

Seafax Online also registered zero receipts from customers during the quarter, despite selling out $7,000 in staffing costs, $18,000 in working capital and $2,000 in advertising and marketing.

Meanwhile, capital works expenditure and associated user acquisition for the quarter totalled $37,908, compared to $37,000 last year. Most of that was spent building an online database in North Queensland, but record rainfall in the area meant construction time delays and a rise in costs.

Seafax Online chairman Mr Terence Byrne said financing facilities of up to $5 million were being sought against the company’s real estate holdings, which have been valued at $340,000. Additionally, Seafax Online is considering adding capital takers by way of private placement with interested, sophisticated and professional investors, he said.

Also registering zero customer receipts were Telematics, Epyx and Scanprint. Several companies have submitted online gambling plans to the Federal Government’s 11-month retrospective online gaming moratorium.

Reporting a decline in customer receipts compared with the previous quarter were software group Sodafon, which recently bought the assets of failed Web designer Zen and Real Media, and interactive media outfit Max Multimedia.

Max Multimedia had received totalings $229,000 for the December quarter, down from $252,000 in the previous three months. Staffing costs almost doubled, from $500,000 in the September quarter to $1,000,000 in the December quarter.

Significantly, three-quarters of the high-tech companies surveyed increased staff costs in the quarter. Companies spending more on payroll costs included Quadral, Netware, Legon, Seafax and Max Multimedia. Broadband Internet access provider Quadral registered one of the biggest falls in staff costs, dropping from $217,000 to $12,000.

Of the 20 companies surveyed, only two were cash positive: Internet domain name registry Netcom and Trans-Global Interactive.

IBM plans ‘standard fence to keep out the pirates’

Big Blue is trying to throw a big block at music pirates.

A newly revealed version of IBM’s digital management tool, which makes the consumer part of the royalty chain, because he becomes a “distributor” when passed on content to other consumers, is a secure method of managing so-called “digital rights”, few distributors actually have in their own locked-down technology.

Legal agreement would eventually be reached on digital content distribution, and the plans would be the content provider to add

Internet directory steps up ad push

Katrina Nicholas

Tuna Pacific Internet directory LookSmart will spend the coming weeks sharpening its focus on targeted online advertising after revenues from its direct marketing business regressed strongly in the fourth quarter.

LookSmart, which on Friday reported results for the fourth quarter of 2000 and full year to December in line with revised expectations, reported revenue from listings and targeted advertising grew from $US35.5 million to $US35.5 million in the fourth quarter to $US35.5 million.

Unaudited product revenues grew only marginally from $US35.5 million to $US35.5 million over the same period while CPM, or cost per thousand, revenues dropped from $US5.2 million to $US5.1 million.

Revenue for the quarter was $US153.6 million and $US126.2 million for the full year.

The operating loss for the full year was $US175.7 million and $US126.2 million for the quarter, resulting in an operating loss per share before non-cash items of 18c for the three months.

The worse-than-expected results did not surprise investors.

Previously, the company had said it expected revenue of up to $US36 million for the quarter and an operating loss per share of just 8.2 cents. The worse-than-expected results were not a surprise for investors, but LookSmart’s Nasdaq traded stock slipped $US7.12 to $US1.55.

Last fortnight investors were warned of a softening online advertising market and had adversely

Students like a Net education – some of the time

Sue Lowe

As the Federal Opposition starts to promote online universities as a possible solution to creating the Knowledge Nation, a Sydney college claims to have taken on 90 per cent of the students of a pilot program and they prevented 90 per cent of the study online.

The college is also offering at least double the returns – about 20 per cent – for people investing in online education rather than the traditional education market that is mature, highly competitive and highly regulated.

Group Colleges Australia raised $26 million from private and public investors in June 1999, with the aim of creating an online college to export its courses.

Rather than building a cyber-college from scratch, managing director Mr Alan Manly said it was felt it would be easier to buy established colleges and use their existing “customer base” of students to convert to online learning.

The organisation purchased three colleges in late 1999 – a business college, a language school and a Year 11 and 12 high school – creating Central College, which now offers on-site diplomas in IT, business and marketing to about 700 international students.

In the second half of last year, the first trial of the online diploma was offered and taken up by about 700 students. To avoid problems of student isolation, the college has set up classes with an online component to allow students to meet, providing free computers access to students who did not want to stay home alone.

"For the first few weeks students came in and used it, but later on they tended to stay at home," Mr Manly said. "We claim the benefits of online education, with India as a key target."

"The emerging middle classes in India represents an exciting market," Mr Manly said. "They Indian education system is excellent but it’s overloaded. There’s also the fact of gaining an international education," he said.

Students will be offered a two-year diploma course, one-year studying online from their home country, the second on-site in Australia.

Mr Manly said research by the Department of Education Training and Youth Affairs suggested overseas students who travelled to Australia (to study for $US10.5 million per year on living costs as they paid for their education.

The online component would make acquisition of a diploma about 25 per cent cheaper, he said.

Testing theory ... Central College trials to offer half its course via the Net. Photo: Rob Fourt