Seizing on Huawei's troubles, Samsung bets big on network gear

SEOUL: Samsung Electronics is pouring resources into its telecom network equipment business, aiming to capitalize on the security fears hobbling China's Huawei, according to company officials and other industry executives.

Those efforts include moving high-performing managers and numerous employees to the network division from its handset unit, two Samsung sources said.

Potential customers are taking notice of Samsung's efforts to reinvent itself as a top-tier supplier for 5G wireless networks and bridge a big gap with market leader Huawei and industry heavyweights Ericsson and Nokia.

French carrier Orange's chief technology officer, Mari-Noëlle Jégo-Laveissière, visited Japan last year and was impressed with the pace of 5G preparations using alternative equipment makers including Samsung, a company representative told Reuters.

Orange, which operates in 27 markets and counts Huawei as its top equipment supplier, will run its first French 5G tests with Samsung this year.

"Samsung is doing a big push in Europe at the moment," one industry source said, declining to be identified.

Underscoring the growing importance of the business, South Korean Prime Minister Lee Nak-yeon visited Samsung's network division in January. In a closed-door meeting during that visit, Samsung heir Jay Y. Lee asked for government help with recruiting high-level engineers.

Huawei is battling allegations by the United States and some other Western countries that its equipment could enable Chinese spying and should not be used in 5G networks, which will offer higher speeds and a host of new services.

Australia and New Zealand have joined the United States in effectively barring Huawei from 5G, and many other countries, especially in Europe, are considering a ban. Huawei denies that its gear presents any security risk.

Its woes have presented Samsung with a rare opportunity. Telecom firms would ordinarily stick with their 4G providers for 5G upgrades as they can use existing gear to minimize costs, but many firms may now be under political pressure to switch.

"We're bolstering our network business to seize market opportunities arising at a time when Huawei is the subject of warnings about security," said one of the Samsung sources. The sources, who did not disclose specific figures for the employee moves, declined to be identified as they were not authorized to speak on the matter. Keen to seek new growth, particularly as sales of its mainstay chips and smartphones have begun to drop, Samsung plans to invest US$22 billion in 5G mobile technology and other fields over three years. It declined to break down how much will go to 5G and the other areas - artificial intelligence, biopharma and automotive electronic parts. Asked about Samsung's big push into network equipment, Huawei said in a statement that it welcomed competition in the market. In India, Samsung is now in talks with Reliance Jio to upgrade its network to 5G, looking to build on what has perhaps been its biggest network success - becoming the key supplier for the upstart carrier.

"We don't think 5G is far away in India," a Samsung official with direct knowledge of the matter told Reuters. He declined to be named due to the sensitivity of the matter.

Samsung's clients include U.S. firms AT&T Inc, Verizon Communications Inc and Sprint Corp and it has 5G network contracts with all three, though it was not clear how extensive those contracts are. It also sells to South Korean carriers and has partnered with Japanese mobile carriers to test its 5G equipment.

In many cases, Samsung supplies only small pieces of networks. According to market tracker Dell'Oro Group, the South Korean firm holds just 3 percent of the global telecom infrastructure market compared with 28 percent for Huawei. Its network business made 870 billion won ($775 million) in operating profit last year, according to Eugene Investment & Securities. Filings show Nokia's network business made about 1.2 billion euros (US$1.4 billion) while Ericsson's network operations made 19.4 billion Swedish crowns (US$2.1 billion). Figures for Huawei were not available.

One major hurdle for Samsung will be attracting talent amid a dearth of software engineers in South Korea.

"We need more software engineers and want to work with the government to find that talent," Lee was quoted as saying by government officials at his meeting with the prime minister.

Samsung's network business unit employs roughly 5,000 people, according to a government official in the southern city of Gumi where Samsung operates its manufacturing plants.

Kim Young-woo, an analyst at SK Securities, expects Samsung to hire 1,000-1,500 people for 5G network equipment this year. Samsung declined to comment on network employee levels and hiring plans.

But Samsung's bet remains risky as the long-term nature of telecom network investment means change comes slowly.

Sweden's Ericsson and Finland's Nokia, which acquired the remnants of once-powerful network equipment companies Alcatel-Lucent and Nortel, have as yet seen little sales growth from Huawei's problems, company executives said.

Both are in cost-cutting mode, even in the face of the 5G opportunity and the problems confronting their biggest rival. Indeed, some network operators in Europe are warning that a Huawei ban - now under consideration in France, the UK, Germany and other countries - could push back deployment of 5G by as much as three years.

Others warn Samsung may struggle to develop a global sales and support or-

China ride-hailing giant Didi to lay off 15pc staff this year: Source

SHANGHAI: Didi Chuxing will lay off 15 per cent of its staff or about 2,000 people this year, a source said, marking the ride-hailing firm's first major cut back as it grapples with regulatory scrutiny and public backlash over the murder of two of its users.

Didi CEO Cheng Wei said at a meeting with management that the firm would focus on core mobility services and cut business units considered not critical to its main ride-hailing business in 2019, according to the source familiar with the matter.

But the Chinese ride-hailing giant will aim to hire more than 2,000 employees to focus on safety technology, product engineering and international expansion with the goal of maintaining its overall employee count, the source added on condition of anonymity as the information is not public yet.

A Didi spokeswoman declined to comment. Reports on possible job cuts at the company began to surface in late January.

Didi has been working to address consumer and government concerns over safety after a passenger was raped and killed by one of its drivers in August last year, about three months after another Didi user was murdered. A Chinese court has sentenced a man to death for the crime committed in August.

Didi, which successfully drove U.S.-based rival Uber out of China in 2016 to becoming the top ride-hailing player at home, is now facing financial strain due to competition from new entrants and the rise of bike-sharing services like Mobike.

This week, Chinese tech news website reported that Didi Chuxing lost 10.9 billion yuan (US$1.6 billion) in 2018.

Didi's valuation exceeded US$65 billion after its 2018 funding round and was considering an IPO as early as that year, sources have told Reuters. The privately held firm had been valued at US$56 billion in a 2017 fundraising.**—Agencies**

Apple eyes star power for launch of new streaming service

SAN FRANCISCO: The iPhone manufacturer appeared set to launch its streaming television service next month, calling on celebrities such as Jennifer Aniston, Reese Witherspoon and Star Wars director JJ Abrams to join an event at its Silicon Valley headquarters.

Apple remained customarily tight-lipped about its plans amid reports of a Mar 25 event at its Cupertino headquarters focusing on services, including video and a likely subscription news service aimed at shaking up the world of journalism.

The news comes with Apple under pressure to emphasise subscription-based services to diversify its revenues amid sluggish growth in smartphones, which have delivered the bulk of Apple's profits for the past decade.

With news and streaming video, Apple could potentially disrupt two sectors and move toward reinventing itself once again.

Apple transformed the digital music scene with deals to sell songs through its iTunes store launched in 2003.

An Apple streaming music service launched in mid-2015 now boasts more than 50 million subscribers.

Apple is believed to be investing at least US$1 billion in content and has acquired the rights to a new series starring and co-produced by American actresses Jennifer Aniston and Reese Witherspoon.

The two actresses were expected to join chief executive Tim Cook in Cupertino, with Jennifer Garner also present, according to the Hollywood Reporter.

The potential for an Apple service streaming movies or television shows has been a question since the company added the Apple TV set-top device to its lineup 12 years ago.

Bloomberg News reported the video service would compete with rivals like Netflix and Amazon Prime, although details of the service had not been finalised.

The Wall Street Journal reported this week that some news organizations were balking at Apple's plan to take a 50 per cent cut of revenues as it beefs up its mobile app to offer newspaper as well as magazine subscriptions.**—Agencies**

RLANDO, Fla: The International Space Station (ISS) photographed by Expedition 56 crew members from a Soyuz spacecraft after undocking.

Lyft to woo investors with fast US growth in IPO race with Uber

SAN FRANCISCO: Lyft Inc will pitch investors on its fast growth in the United States as it seeks to beat out Uber Technologies Inc to become the first publicly listed ride-hailing company, according to people familiar with the matter.

Lyft plans to tell investors its US market share is approaching 40 per cent, up from 35 per cent in early 2018, the people said. The company has pushed aggressively into smaller and mid-sized cities. Lyft currently serves more than 600 American and Canadian cities, three times more than in early 2017.

San Francisco-based Lyft is under pressure to sell investors on its prospects as it races neck-and-neck with Uber to an initial public offering (IPO) that could come as early as the second quarter of 2019.

If Lyft gets to list first, it would avoid being judged by the valuation given to its larger rival.

Uber remains the undisputed king of ride-hailing in terms of size. Its revenue for the third quarter of 2018 was US$2.95 billion, up 38 per cent from the prior year. It operates in about 70 countries and also has businesses in freight hauling, autonomous driving, food delivery, air taxis and artificial intelligence research.

In contrast, Lyft is available only in the United States and Canada. And it has stayed tightly focused on its core ride-hailing service. Lyft has kept its financials secret.

It is estimated to be worth between US$20 billion and US$30 billion, compared to Uber's prospects for a valuation of up to US$120 billion. So Lyft will be seeking to assure IPO investors it represents an attractive bet compared to its more established competitor, people familiar with its marketing strategy said.

Lyft has benefited from a spate of scandals that rocked Uber in 2017, including allegations of sexual harassment made by its female employees, the forced resignation of its chief executive officer and its use of illicit software to deceive regulators. A #DeleteUber campaign surged on social media. The negative publicity helped Lyft attract new drivers and riders without spending much on marketing.

Given that both Uber and Lyft are still losing money, investors will be focused on their growth and potential for future profitability. Lyft has prepared some earnings metrics it hopes will persuade investors that it will not be in the red for long, the people familiar with its strategy said.

These include its overall growth in ride bookings, the total number of rides per passenger, the commissions it earns from drivers, and the percentage of rides across its different ride types, particularly its growing carpooling service, the people said.

Lyft declined to comment.

"The IPO market will be focused on growth," said Jim Williams, chief investment officer of Creative Planning Inc, a wealth and investment manager in Overland Park, Kansas. His firm advises clients who already own shares in Lyft and Uber as well as those considering buying stock in the companies. Investors will be assessing the companies based on the number of new riders and total rides, Williams said.

They will want to know, "Are these companies expanding?" he said.

Uber reported sharply slower global bookings growth in the third quarter of 2018; that figure slid to 6 per cent over the previous quarter in a business that had routinely been expanding by double-digit percentages.

People familiar with management's thinking say Uber executives are concerned that if investors judge the company by the same yardstick as Lyft - focusing on the number of rides it sells as opposed to its other initiatives - its valuation could suffer in an IPO.

Uber plans to portray itself to IPO investors as a global logistics and mobility platform, and will spend less time on metrics specific to its core ride-hailing business, the people said.

Over the last year, Uber CEO Dara Khosrowshahi has sought to direct investor attention to food-delivery business Uber Eats, whose revenue grew 150 per cent in the third quarter over the previous year.

Uber and Lyft continue to diverge, offering different financial opportunities to IPO buyers, according to Anna-Marie Wascher, CEO and founding partner at Flat World Partners, an investment management firm that made an early Lyft investment. "With Uber, you will invest in Uber Eats and

Telecoms industry calls for Europe-wide network testing regime

FRANKFURT: The telecoms industry has called on European governments to join mobile operators in establishing a testing regime to protect network security without having to resort to the disruptive step of excluding vendors from the market.

The initiative by the GSMA, which represents 800 operators worldwide, comes as the United States steps up pressure on its allies to ban China's Huawei on national security grounds.

Operators warn that such a step would disrupt the supply of equipment, increase costs to them and their customers, delay the rollout of next-generation 5G services by years, and potentially hobble existing networks.

"Such significant consequences, intended or not, are entirely avoidable," the GSMA said in a statement issued just over two weeks before it hosts its annual Mobile World Congress in Barcelona.

The industry fest, to be attended by more than 100,000 visitors, is also expected to feature a closed-doors discussion of telecoms CEOs of the risks to the industry that would arise if governments ban Huawei, sources said.

Huawei, an associate member of the GSMA, is traditionally one of the biggest exhibitors in Barcelona. The global market leader in networks and number two in smartphones is expected to launch a new handset on the eve of the event.

The GSMA said it was assembling a task force of European operators to identify ways to enhance existing testing regimes run by individual operators, by third-party laboratories or in partnership with 3GPP, the 5G standardisation body.

It recommended that governments and mobile operators work together to agree on an assurance and testing regime for Europe "so that it ensures confidence in network security while maintaining competition in the supply of network equipment".

The initiative parallels similar calls by Europe's largest mobile operator, Deutsche Telekom, to strengthen Germany's testing and compliance regime without having to resort to a blanket ban on Chinese vendors.

Deutsche Telekom said: "We welcome this move and think it's good that the GSMA was able to find a common position." Spain's Telefonica said the GSMA's stance fully reflected its own position.

It marks the biggest step by the industry to avert a repeat of Australia's ban on

Huawei - the networks leader with a global market share of 28 per cent - following US warnings that its equipment could come with "back doors" that would expose it to cyber espionage. Washington has also argued that Chinese vendors are subject to a National Intelligence Law that requires organisations and citizens to collaborate in espionage efforts. The European Union is considering proposals that would amount to a de facto ban on Huawei, senior officials say, adding to mounting international pressure on the Shenzhen-based company. Huawei has denied the US claims, while European operators argue there is no evidence to suggest that the Huawei equipment they use in their networks has ever been used for nefarious ends. There is a great deal at stake: The GSMA estimates that mobile operators will invest between US$300 billion and US$500 billion by 2025 in the rollout of 5G services in Europe that range from connected factories to super-fast broadband internet.

"As European policy makers consider ways to further secure network infrastructure, we urge them not to lose focus on all relevant policy objectives – security, competition, innovation and consumer impact," the GSMA said.

"This requires a fact-based and risk-based approach."

Another report adds: For the first time, plastic microfibers have been discovered in wild animals' stool, from South American fur seals. The findings were made by a team of Morris Animal Foundation-funded researchers at the University of Georgia, who suggest examining scat from pinnipeds can be an efficient way to monitor environmental levels of microfibers and microplastics in the environment. Their study was published in the Marine Pollution Bulletin.

"It's no secret that plastic pollution is one of the major threats to marine ecosystems, but we're learning now just how widespread that problem is," said Dr. Mauricio Seguel, a research fellow at the University of Georgia. "These samples are invisible to the naked eye. We want to understand factors that are driving their distribution and what this means for animals in the Southern Hemisphere."

The team examined the scat of 51 female South American fur seals on the remote Guafo Island, in southwestern Chile, from December 2015 to March 2016. Each sample's inorganic material was dissolved in a solution in a lab, leaving only the microscopic, plastic particles to be analyzed. Researchers then found 67 percent of the samples showed a remarkable abundance of microfibers, which until now had only been reported in animals fed in captivity.**—AFP**