

SDOSS April.2008 Meeting

Government Use of OSS

*Are you Satisfied with How your
Government Spends your Tax \$\$?*

*How Compassionate is your
Flattism Strategy?*

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Every Idea has an Inspiraton

- I teach an ROP class at Palomar College, Introduction to Linux
- Requires a Teacher's Credential
- In 2006 I took Level I Credential Class
- And had to write a paper researched on the internet, my paper's title...
 - Should Tax Dollars (Government/Schools/etc.) be used to Buy Software Licenses when Open Source Solutions Exist?

Outline for the Paper

- The Bull in the China Store (Microsoft)
 - What the International Community is doing
 - What the Domestic Policy is today
 - Is the US School System ready for OSS?
 - Closing Thoughts
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- As time passed, I got angrier and angrier
 - Consider this a Call to embrace the flat world

This Meeting's Agenda

- **Economics of Software**
- Government Use of OSS
- Call to Action

Software Changes the Equation

- Software, by its nature, is hard for a lot of people to wrap their hands around
- At the same time the DOJ was dismantling one monopoly (see AT&T), an unknown company was creating a cash-cow that would become a legal monopoly
- The nature of a free democracy is to be reactive...coupled with a lack of technical savvy regarding the software stack...oil, a hegemony is created

hegemony...[1]

- 1 : preponderant influence or authority over others : **domination** <battled for *hegemony* in Asia>
- 2 : the social, cultural, ideological, or economic influence exerted by a dominant group <extend their own *hegemony* over American culture as a whole — Mary K. Cayton>

Product Economics 101

- That's a pretty neat whiz-bang gadget, what did it cost?
 - NRE (design costs)
 - BOM COGS
 - Documentation
 - Call-Center / Help-Desk
 - Manufacturer's Warranty
 - Marketing
 - Sales Commission
 - Regulatory Expenses

Software Economics 101

- Pretty much same costs as previous slide
- With one major exception...
 - BOM COGS is negligible
- The cost to produce (as opposed to productize) software is essentially \$0.00

- OSS strives to push the \$ expenditure up the software stack
- Lowest levels of the stack are commodities

- **Remind you of another industry...pharmaceuticals, e.g. COGS vs. ROI**

It's the Money, Stupid

- Why do we, as reasonably smart consumers, accept (like Lemmings to the sea) that we have to pay top dollar for a commodity?
- More importantly, why do we, as reasonably smart members of the electorate, allow our elected officials to drink the MS kool-aid, without holding some feet to the fire?

A Few More Definitions...[1]

- commodity
 - 1.c: a mass-produced unspecialized product
- electorate
 - 2: a body of people entitled to vote
- lemming
 - any of various small short-tailed furry-footed rodents of circumpolar distribution that are notable for population fluctuations and recurrent mass migrations

Revolution OS

- 2001 Documentary about GNU/Linux
- Discusses open-letter Bill Gates wrote to computer hobbyist groups in late '70s
- Mr. Gates was trying to convince the hobbyists to actually pay for proprietary software, in this case Altair Basic.
- This is one of earliest documented efforts to push forward the proprietary software agenda

So, Who is this Mr. Bill Gates? [2]

- **Published Tuesday 26th September 2000 00:20 GMT**
 - Microsoft has dished out more than \$16 million in political handouts over the last three years - and the software giant has upped such contributions since its legal wrangles with the US government.
 - It is now ranked number five in the world as a soft-money contributor to political parties. The recipients of this cash include federal candidates, national conventions and the national parties, according to *The Microsoft Playbook* study.
 -
 - "Since the Department of Justice investigation began, Microsoft has jumped feet first into the Washington big-money game, purchasing influence and access, and bringing into this arena the same zeal it brought to its software business," said Common Cause president Scott Harshbarger.
 - "The software giant has become a soft-money giant."

Proprietary Software Costs

- Dollar costs
 - initial investment
 - recurring upgrade charges
- Security costs
 - security through obscurity does not work
 - how long are you vulnerable waiting for a patch?
- Productivity costs
 - how much do you lose because of a bug or bad release?

OSS TCO (Total Cost of Ownership)

- retooling the organization
 - training IT
 - training end-users
- productivity
 - old habits can be hard to break
 - OSS works a little differently than what it replaces
 - may be some workflow issues, incompatible file formats, e.g.
- 3rd-party interfaces

OSS as a Disruptive Technology [3]

- "New market disruption" occurs when a product fits a new or emerging market segment that is not being served by existing incumbents in the industry. The [Linux operating system](#) (OS) when introduced was inferior in performance to other server operating systems like [Unix](#) and [Windows NT](#). But the Linux OS is inexpensive compared to other server operating systems. After years of improvements it threatens to displace the leading commercial UNIX distributions.

\$\$ or Technology

What is Disruptive? [4]

Year	Total \$	Dems	Repubs	%Ds	%Rs
2008	1,094,994	747,528	346,216	68	32
2006	2,030,142	1,145,127	870,915	56	43
2004	3,325,020	2,056,744	1,259,901	62	38
2002	4,210,198	1,685,967	2,521,731	40	60
2000	4,628,893	2,135,241	2,472,333	46	53
<u>1998</u>	<u>1,364,321</u>	<u>484,203</u>	<u>874,618</u>	<u>36</u>	<u>64</u>
<u>1996</u>	<u>251,474</u>	<u>136,424</u>	<u>110,000</u>	<u>54</u>	<u>44</u>
1994	109,852	78,266	31,586	71	29
1992	59,733	45,733	11,750	77	20
1990	3,800	2,500	1,300	66	34
TOTAL	17,078,427	8,517,733	8,500,350	50	50

The World is Flat [5]

2. Collapse of Berlin Wall

3. Netscape

4. Workflow software

5. **Open sourcing**

Friedman considers the phenomenon "the most disruptive force of all"

6. Outsourcing

7. Offshoring

8. Supply chaining

9. Insourcing

10. In-forming

11. The Steroids

And we can't forget the Triple Convergence...

Uh...were we all asleep when this was happening?

Globalization Timeline [5]

- Globalization 1.0
 - 1492 to 1800
 - Size large shrunk to size medium
 - Countries drove this era
- Globalization 2.0
 - 1800 to 2000
 - Size medium shrunk to size small
 - Multinational companies drove this era
- Globalization 3.0
 - 2000 to ?
 - Size small shrunk to size tiny
 - non-Western individuals are driving this era

Some of us are still asleep...

- Economics of Software
- **Government Use of OSS**
- Call to Action

Governments vote against Microsoft [6]

- **Published: January 22, 2004, 10:20 AM PST**
 - Microsoft has had its share of bad courtroom experiences, but lately the software giant has been taking some of its hardest knocks in city council and legislative chambers.
 - While government customers account for less than 10 percent of Microsoft's revenue, according to analyst estimates, they've caused a disproportionate share of headaches for the company over the past year. Ambitious projects to migrate government computers to Linux and other competing software, official decrees favoring open-source products and hard-nosed licensing negotiations have put government customers well ahead of private business when it comes to testing Microsoft's mettle.

Achtung Baby (to quote U2) [7..13]

- *If ever there was a classic case study...*
 - **April 2002**, City of Munich begins a study of alternatives to Microsoft, brought on by privacy concerns as well as the shortened life-cycle for NT and the new fees this entails for upgrades
 - **January 2003**, Consultant recommends IBM-SuSE's \$39.5 M bid over Microsoft's \$36.6 M
 - **March 2003**, MS CEO Steve Ballmer visits Munich Mayor, offers 15% discount
 - **April 2003**, MS lowers Munich bid to \$31.9 M, including free training and software for teachers, IBM-SuSE lower bid to \$35.7 M
 - **May 27**, MS lowers Munich bid additional \$8.2 M
 - **May 28**, Munich city council approves IBM-SuSE bid on 50-30 vote

The Highlights... [7..13]

- **July 2004**, Munich's migration to Linux raises issues.
 - Gerd Spindler, suggested that the GPL has no legal validity in Germany.
 - Spindler's report objected to the "no warranty" provision under the GPL.
 - Moral Rights Objections. In Europe, especially in Germany, the concept of "moral rights" has great importance...
- **August 2004**
 - The biggest-ever Windows-to-Linux migration—the city of Munich's 14,000 desktops—has been put on ice while legal issues are settled.
 - Open-source advocate Bruce Perens said Wednesday that the holdup actually stems from politics: The Green Party is using the issue to try to reverse government support for new patent laws in Europe.
 - According to the Open Source Risk Management Association, Linux may infringe 283 patents. And a recently unearthed memo from HP states that "basically Microsoft is going to use the legal system to shut down open-source software."

The Highlights... [7..13]

- **September 2005**, Munich's Linux migration heads south for the winter
 - Munich's city administrators' much-discussed migration to Linux has been delayed until 2006, according to reports, because of an additional pilot phase that was not accounted for in the original plans.
- **September 2006**, Munich fires up Linux at last
 - The local government in the German city has transferred 100 staff members in the Lord Mayor's department to a Debian configuration, and it intends to migrate 80 percent of the city's PCs by mid-2009.
- **November 2006**
 - A city council concerned with rising IT costs reviewed the black and white of TCO in a myriad of ways. Now, after enormous criticism and a nearly complete halt, it's becoming a successful migration if for very important reasons: it's going well, quietly, and on plan.

The 2 Most Amazing Facts I Learned [8]

- Unilog judged Microsoft's proposal — to swap out all existing versions of Microsoft Windows and Office for the newest versions — as cheaper and technically superior. But the offer from IBM-SuSE better met "strategic" criteria set forth by the Munich council, says Harry Maack, Unilog project manager.
- 38% of Linux budget for training

I Woke Up...

- Economics of Software
- Government Use of OSS
- **Call to Action**

Government Software Expenditures

A Consumer Advocate's Perspective [14]

"The federal government spends billions of dollars on software purchases from one company that is continually raising prices, making its products incompatible with previous versions in order to force upgrades, deliberately creating interoperability problems with would-be competitors, and is well known for engaging in many other anticompetitive practices," wrote Nader.

"Would a business that was spending this much money be such a passive consumer?" he asked.

So, What Should Government do?

- Some countries/localities are passing legislation to “force” adoption of OSS
 - very popular offshore (developing countries)
 - Digital Software Security Act [15]
 - "waging a one-man campaign" to make California Windows-free, and it gave this clue to his motivation: "He said he's doing this not for financial gain but as a public service to help save taxpayers the cost of Microsoft licensing fees."
 - At same time California Attorney General wants to break up M\$, California tax payer money (in the billions) is spent every year on M\$ products.
 - Waves in 2002, nothing since then, perhaps the wrong tactic?

Is it too much to ask for Consistency?

- Washington took Microsoft into the courtroom, to determine if a monopoly exists
- The general finding that M\$ does operate as a monopoly was left in place
- The order to break the company into two was thrown out
- At end of day, a wrist was figuratively slapped

As a taxpayer, I have to ask...

- Similar to California and the other states, why does the Federal government spend millions of our tax dollars to fight a monopoly...at same time the Feds are spending billions of dollars annually buying product from same monopoly?

An Idea With Some Merit

- Free market proponents will tell you that market forces even things out.
- What if the playing field isn't level, e.g., a monopoly exists?
- One way to level this playing field is to change one rule in government procurement
- Only software that adheres to open standards can be purchased with public **money** (too many internet references on this idea to list)

What does this Accomplish?

- M\$ is closed out of lucrative contracts until they learn how to play nice in the sandbox
- Taxpayer dollars might actually be better spent
- Technological protectionism (can you call it anything else?) is removed
- Our future generations start working with SW that will enable them to compete in a Flat World

Christopher Columbus was Wrong

- Whether you welcome change is dependent upon many things
- Understanding the economic perspective is key to your personal ability to survive being flattened
- The Flat World means you fill one of these economic buckets:
 - Special
 - Specialized
 - Anchored
 - Really Adaptable

Free, as in How flat are you?

- Free government begat
- Free society begat
- Free thought begat
- Free market begat
- Free enterprise begat
- Free technology begat

- ...A new and flat world...deal with it

The Author's Own Words

- I am not saying we should require all politicians to hold engineering degrees, but it would be helpful if they had a basic understanding of the forces that are flattening the world, were able to educate constituents about them and galvanize a response. We have too many politicians in America today who seem to do the opposite. They seem to go out of their way actually to make their constituents stupid – encouraging them to believe that certain jobs are “American Jobs” and can be protected from foreign competition, or that because America has always dominated economically in our lifetimes it always will, for that compassion should be equated with protectionism. It is hard to have an American national strategy for dealing with flattism if people won't even acknowledge that there is an education gap emerging and that there is an ambition gap emerging and that we are in a quiet crisis.

Political Human Sacrifice

- Anybody listen to LA's KFI John & Ken Show?
- During election seasons they discuss political human sacrifice as a way to cleanse the politicians, no longer serving their constituents, from the political scene
- Requires sacrifice, party-line kool-aid drinkers, need not participate

Running with Gazelles Eating with Lions [5]

- A few days later, the American-trained Chinese manager of a fuel pump factory in Beijing, which was owned by a friend of mine, Jack Perkowski, the chairman and CEO of ASIMCO Technologies, an American auto parts manufacturer in China, posted the following African proverb, translated into Mandarin, on his factory floor:
- *Every morning in Africa, a gazelle wakes up.*
- *It knows it must run faster than the fastest lion or it will be killed.*
- *Every morning a lion wakes up.*
- *It knows it must outrun the slowest gazelle or it will starve to death.*
- *It doesn't matter whether you are a lion or a gazelle.*
- *When the sun comes up, you better start running.*

Sources, Credits, Acknowledgments

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