Microsoft threat to discontinue Windows 98 and NT operating systems

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The decision by Microsoft to stop supporting its previous generation of Windows Operating Systems (OSs), Windows 98 and NT, has resulted in a market reaction leading to the long-term postponement of the decision.

In simple terms, an OS is that part of a computer system that makes the user applications, such as word processors, email programs, games, etc., work on a particular computer hardware. The OS is as critical as the computer hardware itself. The average user only becomes aware of the OS they are using in relation to the applications which run on it. Microsoft has a substantial monopoly in the desktop market through its Windows family of operating systems and has used this to establish a dominant position for its business applications such as Microsoft Office.

Longtime Microsoft rivals Sun Microsystems recently released its new Java Desktop, based on the popular open source GNU-Linux system. Sun's new product seeks to capitalize on the popular Java brand name of its cross platform programming language that has become the development platform of choice for Internet applications. Microsoft's attempts to subvert the Java language, which it saw as a threat to its monopoly, were at the center of the antitrust case brought by the former Clinton administration against the company in 2000.

In an announcement in April 2003, Microsoft declared that "as of December 15" its Windows 98 and NT operating systems, along with a string of other Microsoft products, "will no longer [be] available to customers" through its own channels. Microsoft blamed this decision on "a settlement agreement reached in January 2001." This referred to a court settlement between Microsoft and Sun Microsystems over Sun's Java technology. The settlement prevents Microsoft from distributing its own Java Virtual Machine—a piece of software that interprets the code of an application written in the Java language.

On December 17, Sun responded with an "Open Letter from Jonathan Schwartz," executive vice president of the Software Group. Sun declared that "this issue was part of a settlement it agreed to and Sun extended until September of

next year [2004]." Sun said Microsoft "has unilaterally elected to pull their products from the market, then blamed it on Sun." He then attacked Microsoft, saying that the case was "a lesson in how a company with legendary market dominance can lose sight of customer priorities and force an unnecessary transition on to a customer base already paralyzed with viruses and security breaches."

Schwartz added that "Sun has offered, and will continue to offer, a license to Java technology," which means, from a user's point of view, Java will always be available to Microsoft and—provided Microsoft accepts dependence on Sun for a key technology—they are under no real obligation to change course. In a separate statement, Schwartz announced an aggressive marketing policy to target Microsoft by cutting the price of its desktop software by 50 percent off Microsoft's quoted price.

The response of Microsoft to this was mixed. Initially, Tony Goodhew, product manager of the developer division, claimed "there is a list of products that we can no longer ship as of January 2, 2004, because they include a version of the Microsoft virtual machine that we are no longer able to distribute as part of our settlement with Sun."

Later, Microsoft extended the deadline for so-called "retirement" of these products to December 23, 2003, and then to January 16, 2004. It is now extended to June 2006.

After the deadline was extended to June 2006, Danny Beck, Microsoft Australia's senior Windows desktop product marketing manager, declared, "Microsoft made this decision to assist our customers worldwide" and those in "particularly smaller and emerging markets." The reference to emerging markets is of particular interest here as it reveals the company's concerns that it is in danger of losing out to Linux in these areas.

The "retirement" of older products would have had serious consequences for existing users of these systems. Retirement means that not only are the products withdrawn from sale, but support is no longer provided. Existing users would have been left with no way to protect themselves against new security vulnerabilities that are discovered on an

almost daily basis. According to Microsoft's calculations, users would have been left with no alternative but to upgrade to the new XP operating system, resulting in increased revenues for the company.

Thus the announcement to end the products was widely seen as a "forced upgrade" strategy. Business and home users alike have been reluctant to upgrade to a system with substantially increased hardware requirements. An Ottawa-based IT asset analysis tool vendor, *AssetMetrix Inc.* found that, based on 370,000 PCs from 670 companies of different sizes in the US, the users of Windows 95/98/NT currently accounted for more than 40 percent of the corporate users of all flavors of Windows. Windows XP, which was released in January 2001, was used by only 6.6 percent and only 19.8 percent of the companies had no Windows 95 or 98 systems. Other research also supports significant use of the older systems. *IT Week* reported some 35 percent of companies still have Windows 95, 98 or ME (Millennium) on some desktop computers.

For household users the picture is not much different. According to the Internet search engine Google, in September 2003, 29 percent of Internet searches came from computers with Windows 98. *Analyst IDC* found that there are 39 million people using Windows 98 around the world.

It was routinely assumed in the PC industry that the average lifetime of a Windows OS installation is around three years. Based on this conception, the life of Windows 98 and NT should have been long over. Windows 98 was first released to the market in 1998, followed by "98 SE" (Second Edition) in 1999. NT was released in 1996. Despite fierce advertising and convenient upgrades to Windows XP for those with volume agreements, the uptake of the new system has been slow. There are a number of reasons for this. The first is the substantial increase in hardware requirements for the new system. Faced with the costs of both new licenses from Microsoft and new hardware purchases, business and home users were not convinced of the benefits of an upgrade. There were also certain problems with the new OS in terms of running older applications and, particularly in the case of laptop computers, certain hardware compatibility issues.

The release of XP also followed the burst of the financial bubble in the software industry in 2001. Companies and ordinary buyers alike soon realized that their money could be spent better elsewhere rather than upgrading computers that appeared to work just fine. In 2001, US PC sales plummeted 12 percent from the year before.

Microsoft appears to have thought it could bypass these objective economic facts by simply bullying users into an upgrade. Their decision to pull back was based on the realization that an upgrade to XP was not the only option facing business and home consumers. No doubt the increased publicity of commercial backing for Linux by a number of prominent companies, including IBM, played a part in this realization, as did Sun's aggressive marketing of their new Linux-based Java Desktop.

Though now suspended for two years, the initial announcement revealed that Microsoft has no compunctions about extending its day-to-day predatory corporate practices to its own customer base. It is not difficult to find people ready to criticize Microsoft, not least amongst its corporate rivals such as Sun Microsystems. There is, however, no indication that were the situation reversed, and it was Sun that exercised the monopoly, their actions would be any different from those of Microsoft.

While Sun, IBM and others see the free Linux operating system as a corporate weapon against Microsoft, for the increasing numbers of ordinary users, Linux is seen as a way to break free not only from Microsoft, but proprietary systems as a whole. Since the emergence of the Internet as a popular medium for mass communication and exchange of ideas in the mid-1990s, there is an increasing awareness of the need for open standards and public control over what is a vital component in the daily lives of millions of people throughout the world.

The monopoly position of Microsoft—itself a product of its two decades struggle for markets—is a reminder that its efforts to undermine the social character of the computer technology will not stop at the doorstep of its users.

As the antitrust case revealed, even the meager measures introduced to curb the worst excesses of monopoly capitalism and create a so-called level playing field for corporations are thrown to the wind by the self-seeking representatives of a ruling elite that lives only for today and refuses to be held back by what it considers to be outdated notions of social progress.

In order for the enormous potential contained within the emergence of computer technology to be realized, it is necessary that it be brought under the democratic control of all through a political struggle against the profit system.