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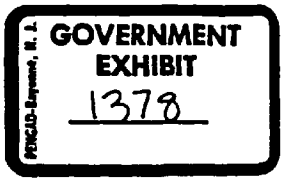

Gates expects 'huge numbers' of Win 98 sales

By John Dodge, PC Week Online
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SAN FRANCISCO -- While forecasters say sales of Windows 98 to businesses will range from mediocre to a complete bust, Microsoft CEO Bill Gates is confident it will sell far more copies, more quickly, than Windows 95.

"There will be a much quicker transition to Windows 98 than there was to Windows 95," Gates said in an exclusive, wide-ranging interview with PC Week Online just prior to the Window 98 launch here today.

"[Windows 98] will generate huge numbers with new PCs. We have a much larger base than we had with Windows 95. And with Windows 95, people had to learn a new UI, transition their drivers and had to buy new applications."

Microsoft has been steering small businesses and consumers to Windows 98 and corporate users to NT 5.0, which is due out next year. But Gates conceded that Windows 98 comes on all PCs and Microsoft really has little control over who ultimately uses it.

"We have to explain to [customers] why spending $100 and 30 minutes of their time upgrading their PC is a worthwhile thing," he said.

Gates defended pricing Windows 98 at the same level as its predecessor even though it has been characterized as little more than a spruced up Windows 95.

"If you look at the man years and tens of millions of dollars that went into the thing, it's only through the scale of economies that you can come up with product under $100," he said. He added that Windows 98's cost to hardware makers is the same as it was for Windows 95, and he also claimed Windows 98 is less expensive than most competitive operating systems such as Sun Solaris.

The competition, he said, is "the status quo and staying with what you already have," and that popular newcomers such as Linux pose no threat to Windows. "Like a lot of products that are free, you get a loyal following even though it's small. I've never had a customer mention Linux to me," he said.

As for Microsoft's victory in court earlier this week, Gates seemed gratified but was scripted in his response: "We got a black-and-white ruling from the appeals court that innovating and adding features is an encouraged thing. That the courts are not going to get involved in product development is a good thing."

Microsoft, he said, has returned to the policy of demanding that computer makers include Internet Explorer in every copy of Windows.

"We're back to where they leave the browser in. There's only one case where somebody [disabled

Internet Explorer] and that was a very low-volume machine. They have 90 days to get back to the normal configuration," he said.

Gates sidestepped the question of whether Microsoft Windows is a monopoly, although he intimated it isn't.

"Nobody has control over the IQ or the ability to make these [types of] products. Why do we keep having so many competitors? The barriers to entry are pretty low. Do we wake up every day in a competitive environment? Everybody knows that's the case. As economists explain, you can never have a monopoly with an infinitely durable good."

Gates said he has read the popular new book "Titan: The Life of John D. Rockefeller Sr.", but he said there are no similarities between himself and Rockefeller, nor are there parallels between Microsoft and the Standard Oil monopoly of the last century.

"There are no parallels in any way," he said. "There is no reference to Microsoft in the book. None of any kind."

Asked if he liked the book, Gates responded as if it was a silly question. "I read a lot of books. I'd say it was better than four of the books I've read previously and worse than the two before that. It was interesting, but I read a lot of biographies and history."

Gates also equivocated when asked if the Year 2000 problem poses a big threat to the world economy. "Companies putting the effort into it and getting the problem solved in advance [won't have a problem]. It's a lot of money to fix it, but as a percentage of the economy it's very, very small. The doomsayers say that the people who don't take it seriously will turn out to have problems. That's where it poses significant scenarios."

He said he has not yet thought of what he will be doing on evening of Dec. 31, 1999. "I plan pretty far in advance, but not that far in advance."

Gates also dodged a question about warming relations between Microsoft and Novell Inc. as a result of a meeting with Novell CEO Eric Schmidt three weeks ago. "We compete with Novell and nothing will change that," he said. "I would not say there is any change in that we compete and cooperate."

On the TCI-AT&T merger, Gates again was cautious. Microsoft is supplying Windows CE for TCI's next generation set-top box but has had an up-and-down relationship with AT&T.

"If this accelerates TCI's work, that's a good thing," he said. "[AT&T's financial muscle] could make things go faster."

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