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Dark cloud over ChatGPT revolution

OpenAI needs $100 billion more to meet its ambitions

WASHINGTON: The explosion of generative AI has taken the world by storm, but one question all too rarely comes up: Who can afford it? OpenAI bled around $540 million last year as it developed ChatGPT and says it needs $100 billion to meet its ambitions, according to industry media The Information.

"We're going to be the most capital-intensive startup in Silicon Valley history," OpenAI's founder Sam Altman told a panel recently. And when Microsoft, which poured billions of dollars in investment into OpenAI, is asked about how much its AI adventure will cost, the company answers with assurances that it is keeping an eye on its bottom line.

Building something even near the scale of what OpenAI, Microsoft or Google have on offer would require an eye-watering investment on state-of-the-art chips and recruiting prize-winning researchers.

"People don't realize that to do a significant amount of AI things like ChatGPT takes huge amounts of processing power. And training those models can cost tens of millions of dollars," said Jack Gold, an independent analyst. "How many companies can actually afford to go out and buy 10,000 Nvidia H100 systems that go for tens of thousands of dollars a piece?" asked Gold.

The answer is pretty much no one and in tech, if you can't build the infrastructure, you rent it and that is what companies already do massively by outsourcing their computing needs to Microsoft, Google and Amazon's AWS. And with the advent of generative AI, this dependency on cloud computing and tech giants deepens, leaving the same players in the driver's seat, experts warned.

'Heavily underestimated'

The unpredictable costs of cloud computing, "is a heavily underestimated problem for many companies," said Stefan Sigg, Chief Product Officer at Software AG, which develops software for businesses. Sigg compares cloud costs to electricity bills and says companies that don't know better are in for "a big surprise" if they let their engineers run up bills in the mad rush to build tech, including AI.

Microsoft's signature cloud offer is Azure and some observers believe the giant's all-in bet on AI is really about protecting Azure success and guaranteeing the cash cow's future. Azure has been the giant's unsexy bread-winner for years, bringing in huge profits but without attracting the headlines of an iPhone or social media that go straight to the consumer. For Microsoft, "the golden goose is monetizing cloud with Azure because we're talking about what could be a $20, $30, $40 billion opportunity annually down the road if the AI bet is successful," said Dan Ives of Wedbush Securities.

Microsoft CEO Satya Nadella insists that generative AI is "moving fast in the right direction."

Deeply respected on Wall Street, Nadella will have a six- or nine-month grace period to show his bet is a winner, Ives predicted. Microsoft acknowledges the risk, but insists that on AI, it must "lead this wave," CFO Amy Hood told analysts this month.

"We will charge for those AI capabilities, and then ultimately, we'll deliver operating profit," she said.

'Squashed out'

Piling up profit at the company founded by Bill Gates can only mean passing on the cost of AI to customers. From Main Street to Fortune 500, the dependency on the AI-amped will be an expensive one and companies and investors are drumming up alternatives to at least reduce the bill.

"AI training, GPT training will become a very important cloud service going forward," said Spectro Cloud CEO Tenry Fu.

His company, like many others in the sector, helps companies optimize cloud technology to reduce expenses. "But after training, a company will be able to get their model back for real AI application" and the dependence on the cloud giants will hopefully be reduced, he added.

Regulators are hoping that they can keep up, and not leave the giants in charge, imposing their terms on smaller companies. "Law enforcers (must) ensure that... opportunities and openings for competition... are not getting squashed out by the incumbents," FTC chairwoman Lina Khan told CNBC.

But it might be too late, at least when it comes to which companies have the means to provide the groundwork of generative AI. "It is absolutely true that the number of companies that can train the true frontier models is going to be small just because of the resources required," OpenAI's Altman told a US Senate panel on Tuesday. "And so I think there needs to be incredible scrutiny on us and our competitors," he added. — AFP

Fake nails, fuel and influencers in Kenya taxman's sights

NAIROBI: What do artificial nails, crypto currencies, spaghetti and social media influencers have in common? They are all being targeted by Kenya's taxman in a raft of new proposals aimed at filling the coffers of President William Ruto's cash-strapped government.

Ruto is seeking to repair a heavily-indebted economy inherited from his predecessor Uhuru Kenyatta, who ramped up borrowing to fund a splurge on costly infrastructure projects.

Despite pledging to improve the lot of impoverished Kenyans during last year's election campaign, Ruto is now taking the politically unpopular step of raising taxes. Ruto's government has drawn up a 3.6-trillion shilling ($26.2 billion) budget for 2023/24 with the proposed new taxes expected to generate 289 billion shillings.

Opponents have warned the measures will hit small businesses at the very heart of the economy as well as households struggling to make ends meet in the face of soaring prices and deep-seated poverty. "It will affect our livelihood because life is already difficult," said Rebecca Nyalesa, 45, who has been a hairdresser for 30 years. "Every time you go to the shop, you find prices have gone up. But our earnings haven't increased. Life is very difficult."

She said her Nairobi salon was already suffering from a drop in customers and feared worse was to come with plans for taxes on all manner of beauty products including wigs, false beards, fake eyelashes and nails.

"Back in the day, I could braid six people in a day, but now it's down to two or three."

Mother-of-two Rose Achieng, 29, said she used to get her hair done three or four times a month but now it's just once. "We are headed to the stage where you have to decide if you have to do your hair or buy food."

NAIROBI: A client has her hair plaited in Nairobi May 12, 2023. Kenyan President William Ruto is seeking to repair a heavily-indebted economy inherited from his predecessor Uhuru Kenyatta, who ramped up borrowing to fund a splurge on costly infrastructure projects. — AFP

Debt mountain

East Africa's most dynamic economy has been hit hard by a regional drought and the fallout from the Ukraine war that sent inflation soaring and GDP growth sliding.

The central bank in March trimmed its 2023 GDP forecast to 5.8 percent, slower than the 6.1 percent predicted earlier. Kenya is also laboring under a $70 billion debt mountain, spooking credit ratings agencies including Moody's which last week downgraded the country's sovereign debt rating further into junk territory. Ruto insists he is making the "right decisions" to get the economy and government finances back on track in the face of pressure for reforms from the International Monetary Fund (IMF).

"Many people are saying you can't tax yourself into prosperity and that is correct, but you cannot accumulate debt into bankruptcy as an option," he told reporters Sunday. "We are not overtaxing ourselves."

'IMF playbook'

Kenyan economist Reginald Kadzutu told AFP the finance bill appeared to have come from the "IMF playbook". "When you are near debt default, and you might have to negotiate, you have to prove that you have enough revenue-generating capacity and the only way is to tax anything that has a figure on it."

One of the more controversial provisions is a three percent deduction on the salaries of all tax-paying Kenyans to fund an affordable housing program. Among foodstuffs, imported fish, locally manufactured sugar confectionery, powdered juice and locally produced pasta will attract new excise duty. The government also plans to double value-added tax on most petroleum products to 16 percent.

Retail prices of fuel already jumped this week by up to nine percent after the government scrapped kerosene and diesel subsidies. Other proposals include a three-percent tax on the transfer of digital assets such as crypto currencies and an increase in tax on gambling to almost 20 percent of the amount wagered. Social media influencers and content providers have not been spared either, with their earnings facing a 15 percent tax.

'Tsunami of taxes'

Veteran opposition leader Raila Odinga is threatening to call Kenyans back onto the streets over what he has branded a "tsunami of taxes". Earlier this year, he led a series of sometimes deadly anti-government demonstrations over the cost-of-living crisis, claiming that victory was stolen from him in last year's election.

"We will have no option but to mobilize all the social sectors and take all the necessary political actions to stop this blow and burden," Odinga said. There had been speculation of a rapprochement between Ruto and his arch rival after the two men were spotted together at three events at the weekend.

But Odinga has dismissed talk of any "handshake" with the president, referring to a surprise alliance he forged with Ruto's predecessor Kenyatta in 2018 that changed the political landscape. The public has until May 20 to comment on the finance bill before it is debated by lawmakers. If passed, it will need presidential approval to become law.

For 52-year-old motorbike courier Josiah Burudi, Ruto has reneged on his promise to improve the lives of ordinary Kenyans or so called "hustlers". "It's like we are being taken for a ride. Life is becoming worse." — AFP

China: Chipmaker Micron failed security review

BEIJING: China's cybersecurity watchdog said Sunday US chipmaker Micron had failed a national security probe and told "operators of critical information infrastructure" to stop purchasing its products. The probe was the latest escalation in the ongoing chip war between the United States and China, with Washington looking to cut off Beijing's access to the most advanced semiconductors.

It also came as China tightened the enforcement of its national security and anti-espionage laws.

Micron's products "have relatively serious potential network security issues, which pose a major security risk to China's critical information infrastructure supply chain and affect China's national security", the cybersecurity administration said in a statement. "Operators of critical information infrastructure in China should stop purchasing Micron products." Beijing launched a cybersecurity review in March of products sold in the country by Micron, one of the world's major chip manufacturers.

The chip war between Beijing and Washington escalated last year when the United States imposed restrictions on China's access to high-end chips, chipmaking equipment and software used to design semiconductors. Washington cited national security concerns, and said it wanted to prevent "sensitive technologies with military applications" from being acquired by China's armed forces and intelligence services.

The United States imposed targeted controls on the ability of domestic industry leaders to sell their products overseas. It has also sought to persuade key allies to follow suit.

The Netherlands and Japan — both leading manufacturers of specialized semiconductor technology equipment — have recently announced new restrictions on exporting certain products, but without naming China. Beijing has slammed the moves as "US bullying tactics" and accused Washington of "technological terrorism", vowing that such controls will only strengthen its resolve to achieve self-reliance in the sector.

The development of a robust domestic semiconductor industry has been a longstanding goal of the Chinese government, which has invested billions of dollars in domestic chip firms. Chips are the lifeblood of the modern global economy, powering everything from cars to smartphones, and they are forecast to become a $1 trillion industry globally by 2030. Nowhere is their essential nature more visible than in China, the world's second-largest economy, which relies on a steady supply of foreign chips for its huge electronics manufacturing base.

In 2021, China imported semiconductors worth $430 billion—more than it spent on oil. — AFP

Lost luggage rate soars at airports

LONDON: The problem of lost, damaged or delayed luggage increased last year as the air travel sector struggled to deal with the surge in flights after the pandemic, a study found on Tuesday. The report said 26 million bags – or 7.6 per 1,000 passengers – were mishandled in 2022, up from 4.35 per 1,000 the previous year.

Last year was marked by a return to air travel by passengers eager to fly again after the COVID lockdowns. But problems were seen in airport queues and baggage claim areas as hiring by airports and airlines sometimes lagged behind demand, said SITA, an IT provider for the industry.

Europe had the highest rate of mishandled luggage, the report said. "After a decade where the mishandling rate more than halved between 2007 and 2021, it is disheartening to see this rate climbing again," said SITA chief executive David Lavorel.

"As an industry, we need to work hard to ensure passengers are once again confident to check in their bags." In total, 26 million bags were mishandled last year, compared to 9.9 million in 2021, SITA said. The region with the highest rate of mishandled bags in 2022 was Europe, with 15.7 per 1,000 passengers, a threefold increase from the previous year. This compared to 6.35 per 1,000 passengers in North America and three per 1,000 in Asia. Part of the problem was that airports and airlines had fewer staff to handle the surge after laying off thousands when the pandemic brought the sector to its knees. For the study, SITA relied on data from its luggage tracking software, used by 500 customers at 2,800 airports around the world. — Agencies