WHEN I AGREED TO TAKE PART IN THIS MEETING TODAY, I ASKED JACK VON GILLERN TO LIST THE SUBJECTS HE WANTED ME TO COVER. HE SUGGESTED THAT I APPRAISE THE HEALTH OF THE CORPORATION IN GENERAL, TALK ABOUT THE IMPORTANCE OF DATA SERVICES AND WIND UP WITH AN EVALUATION OF THE FUTURE.

SINCE LUNCH HAS JUST ENDED IT SHOULD HELP GET THE DIGESTIVE PROCESS OFF TO A GOOD START BY KNOWING THAT THE HEALTH OF THE CORPORATION IS GOOD, DATA SERVICES IS THE MOST IMPORTANT PART OF OUR BUSINESS AND I AM OPTIMISTIC AS HELL ABOUT THE FUTURE.

NOW THAT YOUR GIZZARDS ARE PURRING CONTENTEDLY, I'LL BE MORE SPECIFIC BY NOTING THAT PROGRESS IN THE COMPUTER BUSINESS CONTINUES TO BE QUITE SATISFACTORY IN MOST RESPECTS IN 1975. FINANCIAL RESULTS ARE AHEAD OF BUDGET THUS FAR AND THE COMPANY EARNINGS, INCLUDING COMMERCIAL CREDIT, ARE ALMOST EXACTLY ON BUDGET TO DATE. AT THIS TIME THE LARGEST POTENTIAL SHORTFALL IN PERFORMANCE FROM 1975 COMPUTER BUSINESS BUDGETS IS IN THE PERIPHERAL BUSINESS. THE MAIN PROBLEM IS DECREASED SHIPMENTS OF EQUIPMENT TO OTHER MANUFACTURERS. SIEMENS AND NCR HAVE MADE SHARP CUTBACKS IN PRODUCT DELIVERIES IN THE SECOND HALF OF 1975 UNDER BLANKET OEM ORDERS. XEROX'S WITHDRAWAL FROM THE COMPUTER BUSINESS, ANOTHER LARGE OEM CUSTOMER, MEANS FURTHER REDUCTIONS. EVEN THOUGH WE HAVE REDUCED MANPOWER AND MATERIAL COSTS AND TAKEN OTHER ACTIONS TO HELP OFFSET THE LOSS OF VOLUME, IT WILL NOT BE POSSIBLE TO MAINTAIN THE BUDGETED PROFIT IN THE OEM BUSINESS. OTHER OPERATIONS WITH POTENTIAL UNDER-BUDGET PERFORMANCE INCLUDES DOMESTIC AND PAN AMERICAN CYBERNET, INSTRUMENTS AND CONTROLS, EDUCATION SERVICES, BUSINESS PRODUCTS AND END USER PERIPHERALS.
OFFSETTING THE POTENTIAL SHORTFALLS ARE BETTER THAN BUDGET PERFORMANCE FORECASTED FOR COMPUTER SYSTEMS, EUROPE CYBERNET, SBC, PROFESSIONAL SERVICES, CUSTOMER ENGINEERING, AND MILITARY AND SPACE BUSINESS.

THE PICTURE IS NOT QUITE AS GOOD IN COMMERCIAL CREDIT. FOR THE REMAINDER OF 1975 PROSPECTS FOR THE CONSUMER AND BUSINESS LOANS OPERATIONS ARE GENERALLY FAVORABLE. ALTHOUGH INTEREST COSTS HAVE Risen SOME, IT IS EXPECTED THAT A SLIGHT LEVELING OF INTEREST RATES WILL OCCUR FOR A TIME BEFORE MODEST INCREASES OCCUR TOWARD YEAR END. ON THE OTHER HAND, THE CCC INSURANCE COMPANIES ARE HAVING TOUGH SLEDDING, PARTICULARLY THE CASUALTY INSURANCE COMPANIES. THEY EXPERIENCED UNFAVORABLE CLAIM COSTS DURING THE FIRST HALF OF THE YEAR WHICH DEPRESSED PROFITS EVEN THOUGH EARNED PREMIUMS SHOWED FIFTEEN PERCENT IMPROVEMENT. THE CASUALTY INSURANCE INDUSTRY IN GENERAL IS EXPERIENCING ONE OF ITS WORST YEARS BOTH AS TO FREQUENCY AND AMOUNT OF CLAIM PAYMENTS. THERE ARE SOMEWHAT THE SAME PROBLEMS IN THE LIFE INSURANCE COMPANIES, PARTICULARLY WITH RESPECT TO THE COST OF SETTLING PHYSICAL DAMAGE CLAIMS AND BENEFIT PAYMENTS UNDER ACCIDENT AND HEALTH POLICIES. ALTHOUGH THESE COSTS CONTINUE TO ESCALATE RAPIDLY THERE IS A LONG TIME LAG BEFORE RATE ADJUSTMENTS CATCH UP. REVERSAL OF THE PRESENT TRENDS IN CCC'S INSURANCE OPERATIONS IS A RELATIVELY LONG TERM PROCESS REQUIRING RATE ADJUSTMENTS AS WELL AS REALIGNMENT OF MARKET AREAS. IMPROVEMENTS ARE NOT EXPECTED DURING THE REMAINDER OF THE YEAR.

TURNING BACK TO THE COMPUTER BUSINESS, YOU MAY RECALL THAT OVER A YEAR AGO I EMPHASIZED IN REPORTS TO STOCKHOLDERS THAT CONTROL DATA HAS THE RESOURCES IN PLACE AND THE STRATEGY TO ACHIEVE STABILITY IN OUR COMPUTER
BUSINESS AND TO REACH ATTRACTIVE PROFITABILITY -- THE CHALLENGE AHEAD BEING THAT OF APPLYING OUR RESOURCES MOST EFFECTIVELY.

THE PROGRESS SINCE THEN HAS BEEN GRATIFYING, PARTICULARLY WITH RESPECT TO DEBT REDUCTION, BETTER ASSET UTILIZATION AND PROGRAMS FOR IMPROVING PROFITABILITY.

DEBT: OUR NUMBER ONE GOAL IS TO REDUCE DEBT. DURING JULY AND AUGUST TOTAL DEBT INCLUDING INTERCOMPANY FINANCING WITH COMMERCIAL CREDIT WAS REDUCED BY NEARLY $20 MILLION, BRINGING TOTAL DEBT DOWN THROUGH THE FIRST EIGHT MONTHS OF THIS YEAR BY $50 MILLION. THAT AMOUNT IS NOT INSIGNIFICANT IN ITSELF, BUT A TRUER PICTURE OF THE RESULTS OF THE TREMENDOUS EFFORT TOWARD ASSET AND DEBT REDUCTION IS PROVIDED BY COMPARISON WITH LAST YEAR. IN THE FIRST THREE QUARTERS OF LAST YEAR TOTAL DEBT OF THE COMPUTER BUSINESS INCREASED BY SLIGHTLY MORE THAN $45 MILLION PER QUARTER.

ANOTHER IMPORTANT GOAL IN OUR COMPUTER BUSINESS IS TO REDUCE DEPENDENCE ON OUTSIDE BANK BORROWINGS. SINCE SEPTEMBER OF LAST YEAR, DOMESTIC AND INTERNATIONAL BANK BORROWINGS AND ACCEPTANCE FINANCING HAVE DECREASED $50 MILLION THROUGH JUNE. DOMESTIC BANK BORROWINGS AT THE END OF LAST WEEK WERE $46 MILLION, AGAINST AN AVAILABILITY OF $165 MILLION UNDER OUR REVOLVING CREDIT AGREEMENT.

FURTHER DEBT REDUCTIONS OBVIOUSLY CANNOT CONTINUE AT THE SAME RATE AS IN THE PAST EIGHT MONTHS, BUT WE WILL CONTINUE THE EMPHASIS ON ASSET MANAGEMENT PROGRAMS THAT HAVE PRODUCED SUCH GOOD RESULTS TO DATE.
BETTER UTILIZATION: A PRINCIPAL CONTRIBUTOR TO DEBT REDUCTION HAS BEEN THE IMPROVEMENT IN OUR MANAGEMENT OF INVENTORIES AND TRADE RECEIVABLES. IN ADDITION, THERE IS CONTINUING PROGRESS IN UTILIZATION OF ASSETS THROUGH FACILITY AND ORGANIZATIONAL CONSOLIDATION, AND IN OTHER WAYS.

THERE ARE OTHER MAJOR FACILITY AND ORGANIZATIONAL CONSOLIDATIONS IN THE EARLY STAGES OF IMPLEMENTATION WHERE MOST OF THE BENEFITS ARE NOT YET REALIZED.

THE CONSUMMATION OF THE MAGNETIC DISK MEMORY JOINT VENTURE WITH HONEYWELL ON AUGUST 4TH PROVIDES THE OPPORTUNITY FOR CONSOLIDATION OF PERIPHERAL PRODUCT MANUFACTURING FACILITIES BETWEEN HONEYWELL AND CONTROL DATA FOR ACHIEVING IMPROVED EFFICIENCIES.

THE CONSOLIDATION OF OUR MICROCIRCUIT AND COMPUTER MEMORY ACTIVITIES IS PROGRESSING. IN EACH COMPUTER AND PERIPHERAL PRODUCT OPERATION THERE ARE MICROCIRCUIT AND MEMORY CAPABILITIES AND THE LEVEL OF CAPABILITY VARIES WIDELY. IT IS ALSO INTEGRATED TO VARYING DEGREES WITH THE OTHER TECHNICAL RESOURCES NECESSARY TO DESIGN AND MANUFACTURE THE END PRODUCT. IT IS DIFFICULT TO BRING THESE ALL TOGETHER BUT IN THE ENVIRONMENT OF TODAY'S DEDICATION TO PROFIT IMPROVEMENT IN CONTROL DATA IT IS BEING ACHIEVED IN AN OPTIMUM MANNER. THE INTEGRATION OF THESE INTERNAL FACILITIES IS NECESSARY NOT ONLY TO INCREASE EFFICIENCIES OF INTERNAL ACTIVITIES BUT ALSO TO TAKE FULL ADVANTAGE OF COOPERATIVE ACTIVITIES UNDER WAY AND PLANNED IN MICROCIRCUITS AND MEMORIES. THE PRINCIPAL COOPERATION ALREADY ESTABLISHED IS A PHASED PROGRAM IN A JOINT VENTURE STARTED TWO AND A HALF YEARS AGO IN
EUROPE WITH ICL, NIXDORF AND PLESSEY, LEADING TO STANDARDIZATION AND COMMON SOURCE PURCHASING, PERHAPS TO BE FOLLOWED BY COMMON MANUFACTURING.

IN CANADA WE ARE CONSOLIDATING THE FINANCIAL SYSTEMS OF THE FIVE OPERATING DIVISIONS. SAVINGS IN 1976 ARE ESTIMATED IN THE RANGE OF $300,000 TO $500,000 AND WILL RISE TO $800,000 TO $1 MILLION PER YEAR IN TWO OR THREE YEARS.

THE OTHER MAJOR CONSOLIDATION TO BE ACHIEVED WAS ANNOUNCED LAST MONDAY AND INCLUDES TERMINALS, END USER AND SMALL COMPUTER OPERATIONS. THE MAJOR BENEFITS WILL BE THE ACHIEVEMENT OF MORE COMMONALITY AMONG PRODUCTS AND A BETTER FOCUS TO MARKETING ACTIVITIES.

OF COURSE, ASSET AND PROFIT MANAGEMENT ALSO INVOLVE EMPLOYMENT LEVELS AND AS WE MOVE THROUGH THE YEAR COMPUTER BUSINESS TOTAL EMPLOYMENT KEEPS MOVING DOWN — IN AUGUST IT WENT DOWN 312. FOR THE YEAR TO DATE IT IS DOWN 3,537. SINCE LAST AUGUST WHEN WORK FORCE REDUCTION WAS STARTED, IT IS DOWN OVER 4,700. COMPUTER BUSINESS TOTAL EMPLOYMENT AT THE END OF AUGUST WAS 33,270. THIS COMPARES TO 38,000 A YEAR AGO.

OVERSEAS: PROGRESS OF COURSE EXTENDS OVERSEAS. IN RECENT MONTHS THROUGH THE USE OF A NEW INTERACTIVE COMPUTER FINANCIAL MODEL WHICH IS SIMPLE TO USE, EACH COUNTRY MANAGER HAS VISIBILITY ON THE MAJOR ELEMENTS AFFECTING HIS PROFITABILITY AND CASH UTILIZATION. NOT ONLY CAN HE DO A BETTER JOB OF PLANNING BY BEING ABLE TO CONSIDER EASILY MANY MORE ALTERNATIVES, BUT HE CAN REACT SOONER AND MORE EFFECTIVELY TO CHANGE AFTER A BUDGET IS IN PLACE.
TWENTY-FIVE TO THIRTY PERCENT RATES OF INFLATION HAVE DEVASTATING EFFECTS ON BUDGETS UNLESS A MANAGER HAS THE VISIBILITY TO ENABLE HIM TO REACT THROUGH PRICE INCREASES AND OTHER MEANS IN THE MOST EFFECTIVE AND TIMELY WAY.

FOR 1976 ONE FINANCIAL OBJECTIVE IS FOR EACH OVERSEAS COUNTRY TO OPERATE ON A POSITIVE CASH FLOW BASIS. WITH THE PRESENT CURRENT LEVEL OF BUSINESS IN MOST COUNTRIES AND THE VISIBILITY ON ALTERNATIVES AVAILABLE, NOT ONLY IN PLANNING BUT IN PERFORMING AGAINST BUDGETS -- (PAUSE) -- I BELIEVE THIS OBJECTIVE WILL BE ACHIEVED BY MOST COUNTRIES -- THE EXCEPTIONS BEING PRIMARILY THOSE COUNTRIES WHERE OPERATIONS WERE STARTED IN THE LAST YEAR OR TWO AND THEIR LEVEL OF BUSINESS IS BELOW A CRITICAL MASS -- (PAUSE) --.

COMPUTER SYSTEMS PROFITABILITY: FINALLY, ONE OF THE MOST SIGNIFICANT AREAS OF PROGRESS IN PROFIT IMPROVEMENT IS THE INCREASED COST EFFECTIVENESS OF OUR NEW 170 LINE OF LARGE COMPUTERS. NOT ONLY ARE PROFIT MARGINS INCREASED BUT THE IMPROVED COST TO REVENUE RATIO MEANS LESS DEBT TO FINANCE THE LEASE EASE COMPARED TO THE OLDER CYBER 70 LINE. OVERALL WE EXPECT AN IMPROVEMENT OF TWENTY PERCENT.

THE NEW CYBER 170 IS NOT ONLY COST EFFECTIVE BUT IT IS BEING WELL RECEIVED IN THE MARKETPLACE AS EVIDENCED BY ORDERS MEETING QUOTA.

FOR THE TWELVE MONTHS ENDED IN JULY WE HAD ORDERS FOR FIFTY CYBER 170 SYSTEMS. WE JUDGE THIS TO BE EXCELLENT ACCEPTANCE FOR A NEW COMPUTER SYSTEM PRIOR TO THE FIRST CUSTOMER INSTALLATION -- PARTICULARLY IN VIEW OF A SOFT BUSINESS CLIMATE. AS YOU ALL KNOW THE FIRST SHIPMENT WAS MADE AT THE END OF JULY TO A CUSTOMER IN SPAIN.
IMPORTANCE OF DATA SERVICES


DATA SERVICES IN CONTROL DATA CONSIST OF A DIVERSE ARRAY OF OFFERINGS MARKETED WORLDWIDE. MANY OF THEM ARE DELIVERED THROUGH OUR COMSOURCE COMPUTER COMMUNICATIONS NETWORK. IT HAS TAKEN FIFTEEN YEARS AND MORE THAN $700 MILLION TO ASSEMBLE THESE RESOURCES. THE BUILDING OF THESE RESOURCES WAS NOT ONLY A STAGGERING FINANCIAL BURDEN BUT MANAGEMENT WAS UNDER GREAT STRESS TO MAINTAIN THE CREDIBILITY OF THE DATA SERVICES PROGRAM IN THE FACE OF MANY YEARS OF LOW COMPANY EARNINGS AND EVEN SOME YEARS WITH LARGE LOSSES. ALL THAT IS HISTORY. TODAY WHEN I TALK ABOUT OUR DATA SERVICES I AM TALKING ABOUT THE TOTAL RESOURCE, THE ARRAY OF OFFERINGS, THE NETWORK FACILITIES AND OUR WORLDWIDE MARKETING.

TO ILLUSTRATE THE IMPORTANCE OF THIS RESOURCE TO CONTROL DATA, I WILL USE TWO EXAMPLES -- TECHNOTEC AND COMMERCIAL CREDIT'S DIVERSIFIED SERVICES PROGRAM.
TECHNOTEC: LAST WEEK I MADE A TALK IN NEW YORK AT A PRESS CONFERENCE INTRODUCING TECHNOTEC. I WOULD LIKE TO QUOTE SOME OF THOSE REMARKS.

"OUR PURPOSE IN HOLDING THIS PRESS CONFERENCE IS TO ANNOUNCE TWO NEW CONTROL DATA SERVICE ORGANIZATIONS TO FACILITATE AND PROMOTE THE TRANSFER AND EXCHANGE OF TECHNOLOGY THROUGHOUT THE WORLD.

PERHAPS THERE IS NO BETTER EVIDENCE OF THE CRITICAL NEED FOR A FAST AND ECONOMICAL MEANS OF TECHNOLOGY EXCHANGE ON A WORLDWIDE BASIS THAN THE FACT THAT, AT CURRENT RATES, THE WORLD'S POPULATION WILL DOUBLE FROM THE PRESENT 3.9 BILLION TO 8 BILLION IN THE NEXT THIRTY YEARS. THIS MEANS THAT IF THE CURRENT AVERAGE STANDARD OF LIVING IS TO BE MAINTAINED -- AND THIS STANDARD IS SHOCKINGLY LOW IN TWO-THIRDS OF THE WORLD -- WE WILL HAVE TO DOUBLE THE PHYSICAL VOLUME OF ALL OF OUR EXISTING INFRASTRUCTURES, BE THEY INDUSTRIAL PRODUCTION FACILITIES, SOCIAL SERVICES, COMMUNICATIONS NETWORKS, AGRICULTURAL PRODUCTION, EDUCATIONAL SERVICES OR HOUSING.

ONE OF THE FEW RESOURCES STILL IN GREAT ABUNDANCE TODAY IS TECHNOLOGY. THE PRODUCTION OF TECHNOLOGY HAS BECOME ONE OF THE BIGGEST INDUSTRIES IN THE HIGHLY-DEVELOPED COUNTRIES. THE SIZE OF THE TECHNOLOGY INDUSTRY CAN BE FOUND IN RESEARCH AND DEVELOPMENT -- R&D -- EXPENDITURES. IN 1975, THE UNITED STATES WILL SPEND APPROXIMATELY $35 BILLION ON R&D, WHILE THE WORLD TOTAL IS $70 BILLION.

THIS FIGURE, IMPRECISE AS IT IS, REPRESENTS ONLY THAT PART OF THE AVAILABLE KNOWLEDGE AND TECHNOLOGY WHICH CAN BE QUANTIFIED. IN ADDITION,
There is a vast body of know-how, experience and knowledge that is at least as important, but which cannot be measured readily.

While this cumulative stock of knowledge has been put to use in varying degrees in highly-developed nations to improve standards of living, it is obvious that it has been applied considerably less in the developing societies of Latin America, Asia and Africa.

What must be done to correct the uneven application of technology in order to meet the critical challenges of ever-increasing world population? In the first place, there must be improved means for understanding and utilizing worldwide technological resources. In other words, one of the crucial problems in the coming decades is that of transferring technology.

We know, for instance, that technology currently available in the field of agriculture is sufficient to feed ten -- perhaps twenty -- billion people. This is not to say that R&D investments are unnecessary. Rather, along with further investments in R&D and innovation, we must make better use of existing technology.

Control Data is uniquely qualified to provide the vast human and machine resources required to help facilitate meeting this challenge.

In the first place, Control Data is a worldwide business dedicated to the improvement of productivity and the quality of life for individuals.
AND ORGANIZATIONS THROUGH THE APPLICATION OF ITS COMPUTING TECHNOLOGY, FINANCIAL RESOURCES AND PROFESSIONAL SERVICES. OUR MAJOR BUSINESS THRUST IS DATA SERVICES SUPPORTED BY COMPUTER SYSTEMS AND PERIPHERAL EQUIPMENT.

OUR BUSINESS IS BASED ON A COMMITMENT TO COMPUTERIZED INFORMATION SYSTEMS AND TO RELATED PRODUCTS AND SERVICES...SPECIALISTS IN VARIOUS DISCIPLINES DRAW UPON THE RESOURCES OF THE ENTIRE CORPORATION TO CREATE AND ADAPT PRODUCTS AND SERVICES TO MEET THE SPECIFIC NEEDS OF INDIVIDUAL CUSTOMERS.

THE SOFTWARE, HARDWARE, PROFESSIONAL MANPOWER BASE AND COMPUTER COMMUNICATION NETWORK FOR DATA SERVICES HAS BEEN BUILDING FOR FIFTEEN YEARS. CONTROL DATA HAS INVESTED IN EXCESS OF $700 MILLION IN ESTABLISHING DATA SERVICES THROUGHOUT THE UNITED STATES AND MANY COUNTRIES ABROAD.

CONTROL DATA HAS LABORED DILIGENTLY TO ATTAIN ITS STATUS OF MULTINATIONAL BUSINESS ENTERPRISE. ONLY AS SUCH IS IT POSSIBLE TO OPERATE THE WORLD NETWORK OF DATA SERVICES THAT CAN OFFER, SWIFTLY AND ECONOMICALLY, THE TECHNOLOGY EXCHANGE SERVICE THAT TECHNOTEC REPRESENTS. I WANT TO STRESS THAT POINT BECAUSE OF THE LARGELY MINDLESS ATTACKS THAT MULTINATIONAL COMPANIES ARE SUBJECT TO TODAY.

I'M CERTAINLY NOT TRYING TO SAY THAT THERE HAS BEEN NO ANTI-SOCIAL BEHAVIOR ON THE PART OF SOME MULTINATIONALS, BUT I DON'T THINK THAT THE ONE NECESSARILY ARISES FROM THE OTHER. A COMPANY ISN'T EVIL SIMPLY BECAUSE IT IS MULTINATIONAL.
WITHOUT OUR MULTINATIONAL CHARACTER, CONTROL DATA COULD NOT HAVE AFFORDED TO TAKE THE RISKS THAT WE HAVE TAKEN OR MADE THE INVESTMENTS WE HAVE MADE TO PROVIDE THE WORLDWIDE SERVICE WE ARE ANNOUNCING HERE TODAY. NOR COULD WE AFFORD TO OFFER THIS SERVICE AT SUCH A SMALL COST TO USERS -- A COST SO NOMINAL THAT THE SERVICE CAN BE UTILIZED BY VIRTUALLY ANYONE IN THE WORLD.

WHILE WE EXPECT TECHNOTEC REVENUES TO PRODUCE A PROFIT FOR THE COMPANY, WORLD SOCIETY WILL PROFIT FAR MORE THAN CONTROL DATA. ONE SUCCESSFUL TECHNOTEC TRANSACTION COULD BE MORE PROFITABLE TO THE SELLER AND/OR BUYER OF TECHNOLOGY THAN THE PROFIT LIKELY TO ACCRUE TO CONTROL DATA FROM THIS ACTIVITY FOR MANY YEARS TO COME.' (END OF QUOTE)

SO TECHNOTEC IS A DATA SERVICE THAT WILL CONTRIBUTE TO PROFITS, AND IN THE PROCESS WILL BE HIGHLY VISIBLE TO THE WORLD AS AN EXAMPLE OF HOW A CRITICAL WORLD NEED CAN BE MET ONLY BY A MULTINATIONAL COMPANY, AND IS BEING MET BY CONTROL DATA. RARELY IS THERE A BUSINESS PRODUCT OR SERVICE OF THAT SIGNIFICANCE.

CCC: THE OTHER ILLUSTRATION OF THE IMPORTANCE OF DATA SERVICES IS COMMERCIAL CREDIT'S DIVERSIFIED SERVICES PROGRAM.

SOME PERSPECTIVE OF CCC IS REQUIRED IN ORDER TO PROVIDE THE BACKGROUND FOR THE NEED FOR THIS PROGRAM. THE COMPANY WAS FOUNDED IN 1912 AND ITS BASIC BUSINESS -- BROKERING MONEY -- HAS REMAINED ESSENTIALLY UNCHANGED. CCC BORROWS MONEY AND IN TURN LEADS IT AT HIGHER RATES TO INDIVIDUALS AND BUSINESSES. INSURANCE IS SUPPLEMENTARY TO THE LENDING OF MONEY IN THAT
INSURANCE IS SOLD TO THE FINANCE CUSTOMER. ALTHOUGH OVERSIMPLIFIED, THE
MAIN DIFFERENCE BETWEEN CCC AND BANKS IS THAT CCC ACCEPTS HIGHER RISK LOANS
THAN BANKS AND CCC HAS MORE LATITUDE IN OFFERING SUPPLEMENTARY SERVICES THAN
BANKS.

BUT NOW AFTER MORE THAN SIXTY YEARS, ADVERSE CHANGES ARE OCCURRING IN
CCC'S MARKET, SOME OF WHICH ARE PROBABLY IRREVERSIBLE. MONEY COSTS HAVE
RISEN DRASTICALLY AND MANY STATES HAVE PUT INTEREST CEILINGS ON PERSONAL
LOANS. THUS CCC MARGINS ON PERSONAL LOANS ARE SQUEEZED. BANKS HAVE THIS
SAME PROBLEM BUT THEY HAVE ACCESS TO LOWER COST MONEY THROUGH SAVING DEPOSITS.
BANKS ALSO ARE AIMING AT GETTING CUSTOMERS TIED IN CLOSER THROUGH TERMINALS
INSTALLED IN RETAIL STORES FOR PAYING BILLS, ACCEPTING DEPOSITS AND MAKING
LOANS.

CCC MUST ADAPT TO THESE CHANGES BY OFFERING SERVICES THAT BANKS CANNOT
EFFECTIVELY FURNISH AND THAT PROVIDE ATTRACTIVE PROFITS. THE ANSWER TO
THIS NEED WILL BE FOUND IN THE DIVERSIFIED SERVICES PROGRAM THAT CCC WILL
FURNISH TO BUSINESSES AND INDIVIDUALS.

FOR BUSINESS THE PACKAGE WILL INCLUDE LOANS, CASH MANAGEMENT, BUSINESS
DATA PROCESSING, EMPLOYEE ADVISORY SERVICE, AND MANAGEMENT TRAINING. EVEN
THE LARGEST BANKS ARE UNABLE TO MATCH THESE COMPREHENSIVE AND BASIC AIDS
TO SMALL AND MEDIUM SIZED BUSINESS.

FOR THE INDIVIDUAL THERE WILL BE PERSONAL LOANS AND IN ADDITION VARIOUS
TYPES OF INDIVIDUALIZED INSURANCE AND EDUCATION.

THERE ARE ALSO SIGNIFICANT IMPLICATIONS IN THE DIVERSIFIED SERVICES
PROGRAM FOR THE COMPUTER BUSINESS BECAUSE OF THE ADDED LEVERAGE TO BE
OBTAINED FROM EXISTING SERVICES OFFERINGS. THE VOLUME FROM AN ADDITIONAL EIGHT HUNDRED OFFICES SELLING ESSENTIALLY THE SAME SERVICES IS OBVIOUSLY GOING TO INCREASE THE ECONOMIES OF SCALE.

THERE IS ONE MORE POINT THAT SHOULD BE ADDED ABOUT THE PROBLEM OF MAINTAINING CREDIBILITY THROUGH THE BUILDING YEARS OF CONTROL DATA. OVER THE PAST SIX OR SEVEN YEARS WE FREQUENTLY GET THE SHOT THAT "YOU COMPUTER GUYS WOULD BE BROKE IF IT WEREN'T FOR CCC." WHILE I ALWAYS TRY TO EXPLAIN THAT WE WOULD NOT HAVE MOVED INTO DATA SERVICES AS AGGRESSIVELY AS WE DID HAD IT NOT BEEN FOR CCC'S EARNINGS, THE POINT ISN'T ALWAYS ACCEPTED.

SO THERE IS GREAT SATISFACTION REALIZING THAT THE COMPUTER BUSINESS CAN MAKE A BASIC CONTRIBUTION TO CCC.

OPTIMISTIC LOOK AT THE FUTURE

FINALLY, I WILL WIND UP ON AN OPTIMISTIC LOOK AT THE FUTURE. OBVIOUSLY THE PROGRESS TO DATE WITH DATA SERVICES AND AWARENESS OF ITS VIRTUALLY UNLIMITED POTENTIAL FOR GROWTH UNDERLIES MY OPTIMISM. CHRONIC CAPITAL SCARCITIES ON A WORLDWIDE BASIS WILL BE A KEY FACTOR IN KEEPING DEMAND GROWING. IT WILL BE REINFORCED BY INCREASING USER AWARENESS OF THE HIGHER EFFICIENCY AND EFFECTIVITY OF MOST DATA SERVICES OVER IN-HOUSE COMPUTERS.

WE HAVE CHARTED A COURSE OF GROWING PROFITABILITY FOR EACH MAJOR SEGMENT OF OUR COMPUTER BUSINESS. EACH BUSINESS IS ON COURSE AND EACH HAS A BASE OF COST-EFFECTIVE PRODUCTS AND SERVICES THAT HAVE A POSITIONING WITH RESPECT TO TECHNOLOGY AND COMPETITION THAT ALLOWS FOR PLANNED AND ORDERLY DEVELOPMENT OVER A LONG PERIOD OF TIME. THIS FOR THE FIRST TIME IN OUR HISTORY WE CAN EXERCISE EFFECTIVE FINANCIAL MANAGEMENT ACROSS THE BOARD.
I HAVE ALREADY MENTIONED THE IMPROVED COST EFFECTIVENESS OF THE NEW CYBER 170 COMPUTER SYSTEM. A NUMBER OF NEW PERIPHERAL PRODUCTS, INCLUDING CYBERDATA, BANK READER/SORTER, INDUSTRY-ORIENTED TERMINALS AND THE TAPE LIBRARY, ALSO HAVE COST EFFECTIVE DESIGNS. AS WE MOVE ALONG THE LEARNING CURVE AND VOLUME INCREASES ALL OF THESE PRODUCTS WILL MAKE SIGNIFICANT PROFIT CONTRIBUTIONS. OUR MATURE DATA SERVICE OFFERINGS ALREADY HAVE ATTRACTIVE PROFITABILITY. WE HAVE MANY NEW ONES IN VARYING STAGES OF DEVELOPMENT FROM WHICH WE CAN EXPECT GROWING PROFIT CONTRIBUTIONS AS THEY APPROACH MATURITY. ALSO, THERE ARE OPPORTUNITIES FOR PROFITABLE GROWTH BY GREATER USE OF PRESENT APPLICATIONS IN EXISTING MARKETS AND BY THEIR INTRODUCTION INTO NEW GEOGRAPHIC AREAS BOTH IN THE U.S. AND MANY COUNTRIES OVERSEAS. SO WE HAVE SIGNIFICANT PROFITABLE GROWTH OPPORTUNITIES AHEAD FOR THE FORESEEABLE FUTURE IN DATA SERVICES.

I WILL CONCLUDE BY NOTING THAT THERE IS A NEW ENTHUSIASM AMONG OUR MANAGERS FOR APPLYING THEIR CREATIVITY TO IMPROVING WHAT WE HAVE AND USING IT BETTER AS OPPOSED TO CONCEIVING NEW PRODUCTS AND GROWING THE COMPANY REVENUES AS QUICKLY AS POSSIBLE. THIS BODES WELL FOR OUR FUTURE.

THANK YOU.