I. Introductory Comments

The results for the second quarter and the outlook for the year are not what you would call happy talk. But in spite of that, 1982 is going to be a year of progress for us in a lot of ways. The downturn is, as usual, providing a climate in which it is easier to do many planned improvements in the way we run the business. Also it should be pointed out that strategically we are in excellent shape, and though we are hurting a bit, it's nothing like what others have experienced for over a year now.

The revenue drop in OEM peripherals is painful -- especially after the rapid growth of the past few years. But it is hardly devastating. It's also unexpected only in that it's a little more severe than we would have thought. We have said all along that peripherals is a tough race -- both technologically and in terms of general economic vulnerability. So some downs and ups are inevitable. Bill will comment further in that regard in his remarks. Right now, I'd like to spend a few minutes on some items that evidence the general progress of the business.
II. New Ventures

First let's look at the continuing progress in cooperative ventures that add to our technical effort and/or manufacturing economies of scale.

Peripheral Products Ventures

The Centronics printer merger was completed a few weeks ago and will provide Control Data the printers we need for our systems business and the OEM market an improved line of fully integrated printers. Centronics, a leading independent supplier of low speed printers, will have a fully integrated line of printers with the merging of CPI's medium and high speed printers. Without the merger, Centronics would have been in a difficult financial position and Control Data was in a position of either getting out of the printer business or investing more money into the printer business than the priorities of our business allowed us to do. The two operations combined should make a strong competitive business.
We have recently formed a new joint venture company to develop a 3380 type disk media device. Control Data will own 40% of Disk Media, Inc. (as it is called) and Memorex 60%. DMI will establish a pilot production capacity of 8,000 disks per month. Memorex will manage the venture; however, product strategy will be determined by a joint planning committee which is made up of people from Control Data and Memorex. All the interface policies will be similar to those used at MPI.

The thin film heads will be required in the majority of the new disk drive products by 1984. During my innovation speech in March, I talked about why the magnetic recording technology of today is approaching the end of an era. The familiar ferrite head and oxide media technologies that have been around for 25 years can't deal with the densities required in the next generation drives. We have recently closed a deal with Memorex for the creation of a new company called Peripheral Components, Inc. (PCI) which was established to manufacture thin film heads. It is estimated that the capital equipment investment alone by 1986 would be $46 million with additional investment in the later 80's.

We have also engaged in a venture with Phillips in which Control Data will own 48% of a new company called Optical Media Laboratory. This company is being set up for the purpose of the design and development of digital optical recording media and production processes for such media.
We have also set up another company with Phillips called Optical Peripherals Laboratories (in which MPI will own 52%) for the purpose of the design and development of digital and optical recording drives.

(Pause)

We are studying and pursuing several other possible peripherals joint venture and licensing activities in the U.S. and in international.

In the international markets we have stepped up our activity in the important South East Asia area.

**South East Asia**

The South East Asia Basin represents one of the fastest growing world markets which present significant opportunities for Control Data products and services. Evidence of that is presented in the following chart.

(CHART)

The next chart shows the potential for our products and services within six principal countries of South East Asia.

(CHART)
Our plan is to emphasize a market access through services, focusing on Cybernet, Call and Education Services. In addition, we will utilize both our existing distributor arrangements with Data Prep and a company called SGV from the Philippines. SGV is our joint venture partner for expansion of Control Data Institutes. We plan to make use of our existing country organization in Taiwan to support this activity rather than creating one or more new organizational structures in this area. We believe that this geography has vast potential for our new PLATO offering on off-line micro-computers.

The principal strategic problem is how to develop the true potential of the area in the face of massive financing problems. Local participation and cooperation with the U.S. government are essential factors in solving this problem. Undoubtedly, much will be learned in this regard from our Jamaica experience.

**Data Services**

We have had more inquiries and feelers in the last six or seven months from companies who want to be acquired than any time in the last six or seven years. Many of these offer potential to give our Data Services business a further boost.
Although none of the discussions thus far have led to anything definitive enough to present here today, out of all of this I’m sure there are going to be some important additions -- either in the form of acquisition or cooperative arrangement -- for our services business.

Other Ventures

The MCC cooperation which we discussed before is a major effort in 1982 -- Bill will report on that. I'll just say our progress is in no small part due to the heat people are feeling from economic problems a growing realization of the cost of staying up technologically, and of course the Japanese competition.

Another first for 1982 will be our first R & D limited partnership. At our board meeting last November, I reported that we were planning to fund the development of the small Cyber 180, which we refer to as "System Zero", in part with Canadian government grants and in part through an R & D limited partnership. Next week Control Data and Oppenheimer & Company will begin the effort to market $30,000,000 of limited partnership units for that development program. And the target date is to close and obtain the funding by August 30.
The system zero is to be a 64 bit entry level computer in the advanced product line series operating at approximately 1/2 to 2/3 of the Cyber 170-825 (.3 to .7 M.I.P.S.). In other words, in the class of machines referred to as "super-minis".

1. It will be compatible with Control Data's full range of software.

2. At 64 bits, this machine will make a significant jump over competition which is presently at 32 bits (hardware) and mostly running 16 bit software.

3. It will be suitable for use in a non-computer room environment and will be desk size.

4. It will be the first computer in Control Data's advanced product line to use V.L.S.I. technology (more than 5,000 gates per chip).

5. It will sell for $200-300,000 and the market for computers in this range is projected to be very large -- totalling well over 100,000 units through the period of 1985-1990.
The system zero development has already commenced at our research facilities in Canada and is planned for release to manufacturing by the end of 1985.

Under the partnership agreement, Control Data will pay royalties of approximately 18.5% per mainframe or 9% per system sale.

Our forecasters estimate minimum/maximum shipments at 5,000 and 12,000 units. At about 6,000 units the cost of partnership funding is a wash. That is, if less are sold our cost is less than it would have been had we funded the project internally, of if more our cost is greater.

While this limited partnership we're about the embark upon is a "first" for us, it is not fundamentally something new -- it is just another variation of a cooperative venture -- something Control Data has been doing for years.

III. Capital

The S-0 R & D limited partnership is a good reminder to say a few words in general on managing "capital" -- the third component of the PPC formula we talked about last night.
The efforts we started seven years ago in improved capital management have been paying off. Each year we have improved the various productivity measurements as it relates to capital. As things look now, we won't be able to improve some of the ratios this year, but we are still improving the fundamentals of our processes in controlling our assets.

For example, one of our key ratios in our asset control area for trade receivables is what we call a collection ratio. In spite of the difficult times, our trade receivable performance in 1982 so far is ahead of what we were last year. This has been achieved through fundamental improvements in the processes of the administration of receivables and by making sure receivables have the right priority of the administrative people in the field marketing organization.

As long as we have a significant investment in receivables, we will never be completely satisfied with our performance; however, I feel we are doing a very good job in this area.

Inventory control has not been as good. When the business started to slow down we were not able to slow the build-up of inventory fast enough. We are living with some of this problem today. By the end of the year, however, we will improve. As a result, year-end inventory should be the same as last year.
Overall, then, the asset to revenue ratio for 1982 will be just about the same as 1981. Everything considered that's gratifying performance.

**Commercial Credit**

As Paul Miller reported, Commercial Credit is being impacted by higher than planned money costs. Casualty losses continue to exceed plan and credit insurance losses are up. Cash employed has remained relatively stable for the first six months. In fact, it is up only $5 million from the first of the year. This is being offset by increased spreads and product yields, lower operating expenses, and improved investment results. Under the circumstances, the Commercial Credit results are holding up quite well. Meanwhile, the Small Business Services and Business Centers are developing rapidly.

**Conclusion**

Overall, as I indicated last night, the earnings for the year are forecasted to be below budget -- essentially at last year's level and there's more risk than normal in the projection.
We have taken a significant number of actions to offset the impact of the revenue slowdown including expense reduction programs, deployment of our rings of defense, adjustment to the merit guidelines, and improved asset utilization to name a few. At the same time, we have not fundamentally changed any key strategic plans or the level of investment in key long-range programs. We continue to pursue additional cooperative ventures, and as you heard last night, we have redoubled our efforts to improve operating effectiveness -- the basic processes we use to run the company. So with all the apparent pain, we are going to come out of 1982 in good shape and in fact stronger operationally than we went into the year.
### WORLD ECONOMIC PERFORMANCE 1974–81

**Based on**
- Rate of Growth
- Rate of Inflation
- Currency Strength
- Current A/C Surplus
- Export Orientation

#### Our Targets
- #2 Singapore
- 3 Hong Kong
- 5 Malaysia
- 8 Thailand
- 18 Indonesia
- 21 Philippines

#### Contrast
- #25 U.S.A.
- 35 Australia
- 44 France
- 57 United Kingdom
- 85 Argentina

**Source:** Euromoney 10/81
### Southeast Asia - Distributor Program

#### Current Status

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- **DP** - DATAPREP
- **CDT** - CONTROL DATA THAILAND
- **I/ACT** - INST. OF ADVANCED COMPUTER TECHNOLOGY
- **TCS** - TOTAL COMPUTER SYSTEMS
- **0** - IDENTIFIED OPPORTUNITIES
This evening's session is one of two evening meetings we schedule during the year on the subject of improving operations in the company. The topic for tonight's meeting is "process" and the company-wide effort we are making to improve marketing, manufacturing, development, and administrative process.

First of all though, a few comments on the overall status of the business. Tomorrow in the Operations Review you'll get a complete report, but I would like to preface this afternoon's meeting with a few overall remarks. In short, the slowdown continues. Revenues for the first half are up only 7%. While earnings per share are on budget for the first half, you will also recall that budgeted earnings in the first half are less than we actually achieved in the first half of 1981. So the challenge for the year, as we thought when we put the budgets together, is still the second half. Budgets were prepared on the basis that the business would start to pick up in the second half. The main point I want to make is that there are no very strong indications at this point that's going to happen. Although the OEM orders did improve in June, we need
more than a 30-day period to evaluate whether or not that business has truly started to improve. The lack of peripheral orders in the later part of 1981, which has carried on into 1982, has caused the majority of the deterioration in our operating results. On the other hand, I should point out that even if OEM revenue does not increase from the first half levels, the company's earnings will be up in the second half based on the strength of the other businesses.

Our current projection for the full year is that earnings will be below budget and about the same as last year. Even that forecast is less reliable than normal because of all the uncertainties. With that in mind, the major drive we have had for the past year or more to improve operational effectiveness has assumed more importance than ever.

In previous discussions on the subject of operational effectiveness we've discussed its three components: people, process, and capital -- PPC. Tonight we are going to talk mainly about process.

The tool that we are using to help us identify areas of process improvement is called process flow analysis. It is a method of analyzing a work unit and detailing what happens in that unit step by step. It allows us to look for signs of inefficient
operations, redundant tasks, and opportunities for automation while insuring better defined interfaces with other work groups. At an earlier Board Meeting, I believe we mentioned the improvements we achieved at our world-wide parts distribution center in St. Paul via this technique.

In December of 1981, we convened a training program which is reaching across the whole company in all line and all staff organizations. Our intent is to make each organization self-sufficient in terms of the use of process flow analysis. We started with an executive orientation of over 100 executives. Eight coordinators representing each of the major line and staff organizations and 20 subject matter experts have been identified to drive the program into the organization. This chart for example shows the coordinators in each of these line and staff functions (chart). What's important about the chart is that these individuals are not part of the process department's staff -- they are part of the organizations responsible for driving this program throughout their respective departments. So no extensive new staff function has been created -- rather people throughout the company work in concert with a corporate person -- Joe Carlisano -- to achieve the desired objectives. Also, the people shown on this chart represent a small portion of the resource available to attack this problem. For example, take
the Peripherals Company under Lou Shultz. In addition to what you see on the chart, they have some 50 well trained involvement team facilitators who in turn will train over 250 involvement teams. These 250 teams will use PFA as a major tool in helping to improve process within Peripherals. Similar approaches are being taken in Systems and Services, Marketing, Commercial Credit, and the other organizations as well.

Later this summer the majority of the PFA training will become a standard course offered by the human resource division and by early next year it will be given via computer-based education. As an aside, I might add that PFA fits right in with CDBAI's consulting services. We currently are working with three prospects for PFA consulting. Two are located in the Twin Cities, both small businesses, one in the capital goods industry with long manufacturing cycles, and the other an electronic manufacturing firm with a miniature subassembly process. The third is a major financial institution in New York with interest in the tool and training their people.

In spite of this broad effort to improve productivity I felt a need for the top management to become more directly involved than they already were. At a staff meeting two months ago, I challenged each executive to identify three key processes in his area that need improvement and to personally be prepared
periodically to review the processes with me. In addition, they were asked to prepare a list of items or activities which could be eliminated or consolidated in their area. The eliminations could be anything from cutting back on meaningless distribution lists to the elimination of whole functions. These three charts are just a listing of priority areas for process improvement chosen by the various executives.

(SHOW CHARTS)

As you can see, they cover marketing, technical, operational, and administrative processes.

Today I have asked six executives to review with you examples of areas they have identified to improve the operational effectivity. It's sort of interesting to note that all of them have chosen an administrative process. Improvements in the administrative processes within the company offer great potential benefit.

(EXECUTIVE PRESENTATIONS)
WRAP UP

While there's quite a bit of activity within all organizations, change will not come fast, nor easy. But some of the results are surprisingly quick. For example, in the World Distribution Center case that I mentioned:

- Shipping accuracy went from 80% to 99.5%.
- Warehouse refusal rate went from 14% to 2%.
- Order throughput went from one month to ten days.

All this happened in a matter of 9 months.

Also, PFA does more than just improve a process. It induces a questioning mode of thinking which has all kinds of side benefits. Just recently, we used flow analysis in describing the process by which consultants are hired. This in turn led to the adoption of a procedure change requiring those needing consultant services to first consider and actually contact CDBAI. The procedure was adopted the last week of June. During the first week of operation, CDBAI received 7 requests -- two of which they could handle. This simple administrative change will not only increase use of the talent pool, but more importantly reduce the flow of dollars to the outside.
And when PFA is applied, some things just go away altogether. General Business Services of SBC analyzed the semi-annual customer satisfaction survey which appeared to be a simple process. However, the process flow revealed that 168 steps in each location equaled 5,544 steps for the organization. The resulting input cost wasn't worth the results so the survey has been suspended. And a new method of testing customer satisfaction is being studied.

No level is exempt from the need for process improvement, and that includes the corporate level. I have recently established a task force to review our corporate management process. The group comprises very senior level management and chaired by Roger Wheeler. They are to come back with suggested improvements in the quality and timeliness of corporate staff work while at the same time reducing the cost. To accomplish this task will mean simplifying, improving, and strengthening the delegation of decision making to the operating groups while at the same time improving and strengthening the process by which key issues and ideas are brought to top management attention. The improved strategic planning process, which Mel Stuckey described earlier, is an example of simultaneously simplifying a process and delegating more responsibility while making sure that the really key issues are not obscured from top management by a flood of papers.
In any event, the task force will explore processes used both inside and outside Control Data and integrate these and other process ideas into a management system which uniquely fits our size and character.

So we're looking for -- and working on -- improved effectiveness in all areas of the company whether it be in manufacturing, marketing, development, and administration -- and all can use improvement. However, the administrative process is receiving particular attention. Four years ago our administrative costs were 6.12% of revenue. I had set a goal that over time we could drive the costs down to 5% of revenue. They have improved to a projected level of 5.4% in 1982. This represents a $23 million annual improvement in administrative expenses. I believe that with the programs and improvements we are implementing, we will do better than 5.4% in 1982, and that the 5.0% objective I set several years ago is within reach. This represents a further improvement of almost 10% from today's level.

What it amounts to is changing our thinking from "that's the way we've always done it" to "why?"
PERIPHERAL PRODUCTS COMPANY

- SPARES ORDER ENTRY SYSTEM
- CAPITAL EQUIPMENT AUTHORIZATION PROCESS
- PHASE REVIEW SYSTEM

COMMERCIAL CREDIT

- GBS BILLING PROCESS
- RELOCATION REALTY-HOME FILES
- AMERICAN HEALTH & LIFE - RECORD CENTER PROCESSING

SYSTEMS & SERVICES

- CENTRAL CONTRACT REQUIREMENT FULFILLMENT SYSTEM
- ENGINEERING SERVICES ACCOUNTS RECEIVABLE PROCESS
- MARKETING ADMINISTRATION PROCESS

BUSINESS DEVELOPMENT

- COURSEWARE DEVELOPMENT PROCESS
- EDUCATION BUSINESS PROCESS (EXPANSION OF PRMS)
- EXPERIMENT WITH PERSONNEL COMPUTER IN THESE AREAS
- CDI MANAGEMENT STRUCTURE - CONSOLIDATION OF REGIONS AND DISTRICTS
- SALES PRODUCTIVITY - NON-DIRECT SALES OUTLETS
INTERNATIONAL

- MANAGEMENT ASSISTANCE TEAMS
- CYBERNET COUNTRY REVIEWS ADDRESSING COSTS & REVENUE
- DEDICATED EFFORT TO IMPROVE SALES PRODUCTIVITY
- TELECONFERENCING

CDBAI

- ESTABLISH A MECHANISM FOR DELIVERY OF SERVICES THROUGH THE BUSINESS CENTER NETWORK
- ALL BAI OPERATIONS PROCESSES
- MARKETING PROCESS FOR SERVICE TO SMALL BUSINESS CLIENTS

CORPORATE SERVICES - L. PERLMAN

- EMPHASIZE CONTRIBUTION IN CONTRAST WITH EFFORT VIA A PRIORITY-BASED MANAGEMENT PROCESS
- CAREER DEVELOPMENT PROCESS FOR LEGAL PEOPLE
- DEVELOP A PROCESS TO MEASURE INTERNAL COMPUTING EFFECTIVENESS

URBAN & RURAL VENTURES - H. F. TRADER

- WORLDTECH RESTRUCTURING
- BTC LICENSING
- STATE GOVERNMENT MARKETING

FINANCIAL FUNCTION - L. C. ROSKAM

- MANAGEMENT ASSISTANCE TEAMS
- FINANCIAL REPORTING PROCESS
- EXPAND CSF #1 TO INCLUDE CCC
- QUANTIFY ADDITIONAL MEASUREMENTS OF EAR COST EFFECTIVENESS
- EVALUATE EFFECTIVENESS OF STAFCOM

TECHNOLOGY & PLANNING – J. W. LACEY

- CORPORATE WIDE TECHNICAL EFFORT PROCESS
- CORPORATE STRATEGIC PLANNING PROCESS
- TECHNOLOGY TRANSFER BETWEEN CDC TECHNICAL ORGANIZATIONS

PERSONNEL & ADMINISTRATION – F. R. DAWE

- CORPORATE WIDE REGION PERSONNEL CONSOLIDATION PROCESS
- EXECUTIVE DEVELOPMENT PROCESS
- EMPLOYMENT PLACEMENT CENTER

HUMAN RELATIONS DEVELOPMENT & PUBLIC AFFAIRS – R. G. WHEELER

- WAGE AND SALARY PROGRAM -- DEVELOPMENT AND ADMINISTRATIVE PROCESS
- EMPLOYEE TRAINING RECOMMENDATION PROCESS
- PERFORMANCE APPRAISAL PROCESS
Before getting to the numbers, I want to say that the press -- particularly the Minneapolis press -- have misrepresented and misled with regard to employee actions at Control Data. Moreover, they have used internal documents in such a distorted way as to actually jeopardize some of the things we are doing. So if any of you have read that stuff -- forget it. The actual situation I can describe fairly briefly.

Let me start with the statistics regarding the preventive "rings of defense" we have used to protect our work force.

The first ring is overtime. Overtime has been reduced from 6% to 2% in Peripherals and 4% to 2% overall.

The second ring is subcontract work. Subcontract volume in the first six months of 1982 is down $75 million from the same period in 1981.

(NOTE TO RMP: at 5-10% labor = 300-400 jobs)
Next after subcontract work in our policy was more extensive use of part-time people. The desired level of part-time people -- and for that matter the desired level of subcontracting -- was not fully implemented prior to the slowdown, but even so it has been effective in mitigating its effects. The part-time work force has already been cut by more than a thousand people since January and in the U.S. will be reduced from about 10% to about 5% of the population by the time all actions have been taken.

The total effect of these three actions so far is the equivalent of 1,843 full-time employees who have not had to be laid off. So that is a significant accomplishment.

Now let me turn from jobs saved to people employed. Total worldwide employment now stands at 59,436, which is 1,191 people less than the 60,627 we had on board January 1, 1982. This 2% reduction is due almost entirely to voluntary attrition and a hiring freeze which has precluded replacements except in the most critical job categories. The hiring freeze has also served as a strong mechanism to enforce the policy of finding other opportunities for full-time employees whose jobs have been eliminated.
The employment maintenance policy does not guarantee employment regardless of individual performance or regardless of company economic circumstances. Through the process improvement efforts we discussed last night and other similar actions we have been working to reduce overhead and eliminate unnecessary jobs. For example, so far 401 indirect employees have been designated as excess -- most of them in PPCo. As Tom mentioned, to date, 221 of these employees have been moved out of their current positions. The balance will be placed in other openings if they are qualified or can be retrained. Marginal performers have been and will continue to be terminated.

We are continually pressing our managers to identify poor performers and either improve their performance or terminate them. We do want those individuals who do not improve terminated as quickly as possible.

This is probably a good point to describe the Employee Placement Center Bill mentioned and how it fits in the employment maintenance program.

To reassign workers, such as the indirects I have just mentioned, an Employee Placement Center was established to match available employees to open personnel requisitions. A company-wide effort is under way to hire only from within the
company in order to find job matches for as many displaced workers as possible. As noted, this process is greatly strengthened by the freeze on external hiring. If no job match exists, or if the employee declines reassignment, the employee is terminated or laid off. Employees can take any retraining they need to meet specifications. Control Data is offering these employees tuition reimbursement at an outside school or at a Control Data Institute, as well as economic assistance in using external placement agencies to find new jobs.

As of July 9, 180 employees have submitted resumes to the Placement Center. 208 openings were tentatively matched to the resumes. The center has since arranged 66 interviews which have resulted in 29 acceptances. 225 openings now exist at the Placement Center and we hope these will be able to accommodate further human resource balancing needs.

But let me go on with the overall process. As I said, actions reducing our subcontracting, overtime, and part-time work force have saved us the burden of laying-off some 1,843 employees. Overhead cutbacks, process improvements and similar actions have identified another 400 indirect people who can move into direct jobs -- thus saving hiring to fill those jobs and providing continued employment for the displaced people.
This brings us down to the fact that we are still faced, in PPCo., with more people than work to be done, so rather than resorting immediately to lay-offs, we instituted a time-off without pay program. This program, by the way, was corporate-wide -- not just in PPCo. This approach allows reductions in income to occur in the most equitable way possible. Those who desire to do so, and can best afford to do so, can apply for the time off without pay program and save jobs for those who can't. To date, 1,775 employees have applied to participate in time-off without pay. About 1,350 have been approved, with the average leave being 4 months in duration. The financial impact of this voluntary program helps lessen the need for immediate layoffs, with savings from this action alone estimated at $6.3 million.

(the guy whose boss wouldn't let him)

Another way we have handled the reduced work load is to schedule plant closings around regular holiday periods. Employees can either take vacation, take additional training, or if they don't desire those options, take the time off without pay. Without going into a lot of detail, because of the way unemployment compensation works, many come out about as well off by choosing the last course of action. But the training option has also been well received. For example, 375 people received training in Rapid City during the latest closing there.
Finally then, beyond all of these actions, real lay-offs may be necessary. So far this year, actual lay-offs have been minimal, only about 340. The outlook for the next few months says in all probability some more lay-offs of manufacturing employees may be necessary, but they will be minimized by continuing the kind of policies and practices we have used thus far.

As far as professional employees are concerned, PPCo. will reduce its work force another 240 people over the next few months. These people will be sent to the Employee Placement Center I described earlier. Meanwhile, external hiring remains frozen to provide the maximum opportunity for their finding a spot within Control Data.

In summary then:

Total employment is down 1,191 -- the majority being reduction due to attrition.

We have saved 1,843 jobs through the rings of defense and voluntary programs.

There have been few actual lay-offs, some 340 people. These numbers do not include the international plant closings which I will cover next.
Introduction

The next item concerns closing two of our international manufacturing plants. Although the circumstances are quite different at the two locations, the underlying principal of technological obsolescence is the same. Moreover, the closing of these two plants is just a harbinger of what we face in this country as well with regard to the future of many of MPI's manufacturing facilities. This has nothing to do really with the current slow down in business. It is mostly a matter of technological change.

As Bill Norris remarked earlier, the pace of technological change is faster than ever in our industry -- especially in peripherals. This is not only resulting in the rapid introduction of new, smaller devices -- you will recall Tom Kamp's "box" demonstration at the March meeting -- it also means more automated, less labor intensive manufacturing processes.
The impact of this can be quite devastating in a small community and it is with all this in mind that we have been pressing the BTC's and other job-creating programs in towns where we have plants. In this way, the pain of transition/close down, which will inevitably come, can be eased.

Unfortunately, we were not able to get such plans implemented with regard to the two plants to be discussed. As I say, the circumstances regarding those plants also have other factors involved, but it's important to separate those from the basic problem I've just mentioned.

I will cover the DPL plant in Stevenage, England, and Roger Wheeler will then cover the Korean problem.

Data Peripherals Limited

The DPL plant was originally an ICL facility. When ICL became a partner in CPI in 1975, the plant was part of the asset base contributed by ICL. The output of the plant was a line of printer products. Over 90% of this output went to ICL and NCR. Simply put, neither ICL nor NCR now use those printers as part of their new product lines and newer printer products could be supplied more effectively from other sources.
The problem was then compounded by the combination of CPI's printer business with Centronics. Centronics is itself faced with excess plants. So rather than add DPL to their problems, we simply bit the bullet and closed the plant.

I should also point out that we considered scrambling around to put some other production from MPI or Control Data into the Stevenage plant but it was clear that would be just prolonging the agony and we needed to get on with a more forward-looking plan.

So we will close the facility and work with the local community to establish a BTC. It would have been better if we had been further along with the BTC policy but all in all, this is the best course.

DPL employs 190 people and we will work with them to assist in retraining and/or new jobs. The press release in the handout summarizes all this. Also attached to the press release is a status report from CPI management within a few days after the announcement, and clippings from some of the press coverage. As you can see, by and large we have had a quite favorable reaction to our efforts.

Now Roger Wheeler is going to cover the Korea plant and events of the past couple months with regard to it.